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TRAFFORD
COUNCIL

AGENDA PAPERS FOR

ACCOUNTS AND AUDIT COMMITTEE

Date: Tuesday, 26 March 2019

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. **QUESTIONS FROM MEMBERS OF THE PUBLIC**

   A maximum of 15 minutes will be allocated to public questions submitted in writing to Democratic Services (democratic.services@trafford.gov.uk) by 4 p.m. on the working day prior to the meeting. Questions must be relevant to items appearing on the agenda and will be submitted in the order in which they were received.

3. **MINUTES** 1 - 4

   To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 6th February 2019.

4. **PROCUREMENT UPDATE - PRESENTATION FROM STAR**

   To receive a presentation from the Director of Procurement.

5. **CYBER SECURITY UPDATE - PRESENTATION**

   To receive a presentation from the Chief Digital Officer.

6. **TRAFFORD COUNCIL AUDIT UPDATE REPORT** 5 - 24

   To receive a report from the Council's External Auditor.

SARA TODD
Chief Executive

Membership of the Committee

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

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

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This agenda was issued on **Monday, 18 March 2019** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH

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ACCOUNTS AND AUDIT COMMITTEE

6 FEBRUARY 2019

PRESENT

Councillors B. Brotherton (in the Chair), Dillon, Lally, Mitchell, Patel and Slater.

IN ATTENDANCE

Head of Financial Management (G. Bentley),
Audit and Assurance Manager (M. Foster),
Democratic and Scrutiny Officer (J.M.J. Maloney).

ALSO IN ATTENDANCE

Ms. K. Murray and Mr. T. Rooney (Mazars) and Ms. J. Platt (prospective Independent Member).

APOLOGIES

Apologies for absence were received from Councillor C. Boyes

28. QUESTIONS FROM MEMBERS OF THE PUBLIC

The Chair reported that no questions had been received in respect of this meeting.

29. MINUTES

RESOLVED – That the Minutes of the Meeting held on 31st October 2018 be approved as a correct record and signed by the Chair.

30. APPOINTMENT BY COUNCIL OF AN INDEPENDENT MEMBER OF THE COMMITTEE

The Chair reported that, following a selection procedure involving himself, Councillor Patel and Councillor Mitchell, the appointment had been recommended of Ms. J. Platt (who was in attendance at this meeting as an observer) as an Independent Member of this Committee. As the meeting of Council on 30th January had been cancelled, owing to adverse weather conditions, this appointment had not yet been formally ratified; but it was expected that the process would be completed at Council's next meeting. In the meantime, Members extended a welcome to Ms. Platt.

RESOLVED – That the position in respect of the Independent Member appointment be noted.

31. TRAFFORD COUNCIL AUDIT STRATEGY MEMORANDUM

Ms. K. Murray (Mazars) provided an introduction to the key features of the Audit Strategy Memorandum, including the external auditors' role in providing formal opinions on the Council's accounts and value for money arrangements. It was reported that the auditors were currently on track to deliver the programme for the year. A briefing was provided for Members on the concept of "materiality", insofar as it applied to the audit opinion. An opportunity was provided for Members to raise questions on the report's content; these related to key areas of potential identified financial risk. In discussion, the suggestion was noted that a non-technical summary of the report's key messages might be of benefit to the Committee's Members.

RESOLVED – That the content of the Audit Strategy Memorandum be noted.

32. TRAFFORD COUNCIL AUDIT PROGRESS REPORT

Mr. T. Rooney (Mazars) provided Members with an introduction to the key points contained in the external auditors' second progress report in respect of the 2018/19 audit year. It was noted that no significant matters had been identified from planning and interim work which required reporting to Members at this stage. Audit staff were scheduled to be undertaking further work imminently, and a Final accounts workshop was planned for the Council's finance officers. Members' attention was drawn to the schedule of potentially useful national publications appended to the report; and it was agreed that the Chair would make arrangements for the circulation of the 2019 Horizon Scanning document.

RESOLVED –

(1) That the content of the Audit Progress Report be noted.

(2) That the Chair make arrangements for the circulation of the 2019 Horizon Scanning document.

33. GRANT CERTIFICATION LETTER 2017/18 - HOUSING BENEFIT SUBSIDY CLAIM

G. Bentley briefed the Committee on the content of the Qualification Letter which had been issued by Grant Thornton in November 2018, and explained the significance of the Rent Allowance classification issues referred to in the correspondence. It was noted that no financial risk had resulted from the circumstances, and that additional measures had been put in place to enhance reporting for the 2018/19 financial year.

RESOLVED – That the content of the report be noted.

34. TREASURY MANAGEMENT STRATEGY 2019/20 - 2021/22

G. Bentley summarised for Members the principal features of the Treasury Management Strategy which was due to be referred to Budget Council and Executive for approval. Members' attention was drawn to the distinction between day to day treasury management investments and the developing asset investment strategy, and it was confirmed that the focus would always be on security rather than rate of return. In discussion, Members reviewed a number of potential risk areas; and, as with the Audit memorandum above, it was noted that a non-technical summary could be of assistance to Members.

RESOLVED – That it be recommended that the Executive note the report and request Council to approve the Treasury Management Strategy 2019/20 – 2021/22 including the:

- policy on debt strategy as set out in section 3 of the report;
- investment strategy as set out in section 5 of the report;
- Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3 of the report.

35. ANNUAL GOVERNANCE STATEMENT 2018/19 - APPROACH / TIMETABLE

M. Foster introduced a report of the Head of Governance, setting out details of the process and timescale for the production of the Annual Governance Statement 2018/19. It was emphasised that this Committee would have an opportunity to review the draft Statement at a later stage of its development.

RESOLVED –

(1) That the content of the timetable and action plan be noted.

(2) That it be noted that the Committee would have input into reviewing a draft version of the Annual Governance Statement prior to it being finalised and signed off by the Chief Executive and Leader.

36. AUDIT AND ASSURANCE REPORT FOR THE PERIOD SEPTEMBER TO DECEMBER 2018

The Audit and Assurance Manager introduced a report which sought to provide a summary of the work of Audit and Assurance during the period September to December 2018, and to provide ongoing assurance to the Council on the adequacy of its control environment. An opportunity was provided for Members to raise questions on the content of the report, which centred on arrangements for business continuity arrangements, with particular reference to partner organisations delivering services commissioned by the Council. Whilst this was properly a significant area for Strategic Risk Register, it was noted that it would be helpful for Members to have an awareness of these arrangements, to assist in information provision to affected communities, as required. In relation to a query regarding the practicality of more frequent referral of the Strategic Risk Register to this Committee, it was agreed that the officers would explore this further in liaison with the Corporate Leadership Team.

RESOLVED – That the content of the report and related discussion be noted.

37. BUDGET MONITORING 2018/19 - PERIOD 8 (APRIL TO NOVEMBER 2018)

G. Bentley introduced a report of the Executive Member for Finance and Corporate Director, Finance and Systems which had been presented to the Executive at its meeting on 28th January 2019. Members' attention was drawn to key features, and variances occurring since the Period 6 monitor report. An opportunity was provided for Members to discuss the content of the report. Areas of discussion focussed on: the impact of demand-led services for budgetary control; the treatment of the Council's airport dividend; the Council's approach to reserves; the implications of savings arising from staff vacancies; and the volatility of Business Rates and lack of clarity on future arrangements. On the latter point, a suggestion was noted that it could be helpful for the Committee, at a future meeting, to receive a briefing on the background to, and potential implications of, Business Rates Retention initiatives.

RESOLVED – That the content of the report be noted.

38. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2018/19

The Audit and Assurance Manager introduced a report which set out details of the Committee's work programme for the current year, noting that its content would form the basis of the proposed agenda for the Committee's next meeting in March 2019.

RESOLVED – That the content of the report be noted.

The meeting commenced at 6.30 p.m. and finished at 7.44 p.m.

Audit Progress Report

Trafford Council

March 2019

MAZARS

CONTENTS

This document is to be regarded as confidential to Trafford Council. It has been prepared for the sole use of the Accounts and Audit Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. AUDIT PROGRESS

Purpose of this report

This report provides the Accounts and Audit Committee with an update on progress in delivering our responsibilities as your external auditor.

Audit progress

Since the committee last met we have:

- commenced our interim audit visit covering the following areas:
  - obtaining and reviewing the PFI contract, accounting model and unitary service payments;
  - documentation and walkthrough of the cash reconciliation processes;
  - sample testing payroll and non-pay expenditure transactions and income transactions to the end of January 2019;
  - obtaining the data for payroll trend analysis up to Month 10;
  - sample testing additions to the Council's Property, Plant & Equipment balances to the end of January 2019
  - commenced our detailed audit work for our 2018/19 VFM conclusion.

Our work is on track, and there are no significant matters arising from our work that we are required to report to you at this stage.

Financial Reporting workshop

Mazars is proud to be one of the leading providers of external audit to Local Government. Reflecting our sector-leading position, we held our 2018/19 Financial Reporting workshop in Manchester in February 2019, and the Council finance officers attended and contributed to the discussions.

These workshops are designed to provide Council finance staff with our understanding of the key changes and challenges in the financial reporting requirements for the year. They enable our national Local Government technical experts to reflect their experiences and their discussions with CIPFA and the wider accounting profession, and provide a good networking and discussion opportunity for Councils.

This was our first such event in the North West, and we will discuss feedback with your finance team to ensure future events deliver what is needed for our clients.

1. AUDIT PROGRESS

Additional Audit Risks

We wish to draw to members' attention that the following area has been identified as an area of enhanced audit risk because of the management judgement applied in arriving at the accounting entries.

	Description of risk	Planned response
1	**Accounting for Private Finance Initiative (PFI) schemes** In 2003 the Council entered into a 25 year PFI contract for the provision of new office and community facilities in Sale Town Centre. The outstanding liability relating to this scheme represents a material figure on the Council's balance sheet and is derived from a financial model that incorporates assumptions and estimates which impact materially on the reported value. There is a risk that the assumptions and methodology applied to calculate the accounting entries are not appropriate and given this is the first year of our appointment as your external auditors we will need to obtain assurance that accounting entries are not materially misstated.	We plan to address this risk by • reviewing the Council IFRIC 12 assessment and associated disclosures • considering whether the accounting model reflects the operator's model and produces reliable results for the financial statements • checking that outputs from the accounting model are correctly reflected in the financial statements, relevant disclosures have been made and these agree to supporting documentation

2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
National Audit Office (NAO)			
1	**Local auditor reporting in England 2018**	Main findings reported by auditors in 2017/18.	7-8
2	**Local authorities - governance**	Consideration of VfM and financial sustainability in local authorities.	8
3	**NHS financial sustainability**	Current picture not sustainable and yet to be seen whether spending plans will deliver the change required.	9
4	**A review of the role and costs of clinical commissioning groups**	Organisational stability needed.	10
5	**Departmental overview: Commercial and contracting 2017-18**	Using ten case studies from NAO's work over the last 18 months, this overview identifies the main things that government departments need to look out for as they develop commercial relationships with their suppliers.	11
6	**Financial sustainability of local authorities 2018 visualisation**	The NAO has made available its on-line 'interactive visualisations' which describe changes in local authorities' financial circumstances since 2010-11.	11
7	**Planning for new homes**	This report is part of a series on housing in England, including Housing in England: overview (2017) and Homelessness (2017). The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes a year on average.	12
Public Sector Audit Appointments Ltd (PSAA)			
8	**Local quality audit forum**	December 2018 forum slides available online.	13
9	**Oversight of audit quality, quarterly compliance reports**	No significant issues.	13
Chartered Institute of Public Finance and Accountancy (CIPFA)			
10	**Scrutinising Public Accounts: A Guide to Government Accounts**	Online publication resource available.	14
11	**CIPFA Fraud and Corruption Tracker 2017/18**	Annual report. Increase in fraud detected or prevented.	14

2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
Chartered Institute of Public Finance and Accountancy (CIPFA)			
12	**Measured resilience in English authorities**	The Beta Version of CIPFA's Resilience Index, released to finance directors of English councils in December 2018, is a tool that enables authorities to view their positions, relative to others, on a range of measures linked to financial risk. This briefing note summarises key results from across the country, including a description of the measures chosen and their link to financial resilience.	14
13	**Managing risk in the Local Government Pension Scheme**	CIPFA has worked with Aon to revise and update its 'Managing Risk in the Local Government Pension Scheme publication.	15
14	**New statement of professional practice on ethics**	The standard has been introduced by CIPFA to help provide clarity and support for members to meet global ethical standards and best practice, a matter of increasing important in the context of demanding public finance environments	15
15	**Social care risk tool**	CIPFA and the Association of Directors of Adult Social Services (ADASS) have released the 2018 edition of the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.	15
16	**CIPFA guidance on streamlining accounts**	CIPFA has released its publication on Streamlining local authorities' accounts. The publication covers a range of issues relating to streamlining both the financial statements and the accounts closure processes and includes information provided by local authorities who are already driving change in this area.	16
Mazars			
17	**The NHS long-term plan – a summary**	In this briefing on the new NHS long-term plan, we have highlighted the implications of the plan for local government and the key questions that local authorities should be considering.	17-19

MAZARS

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

1. Local auditor reporting in England 2018, National Audit Office, January 2019

Since 2015, the Comptroller and Auditor General (C&AG) has been responsible for setting the standards for local public audit, through maintaining a Code of Audit Practice and issuing associated guidance to local auditors.

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the C&AG took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors. The report highlights a number of points as summarised below.

- Auditors gave unqualified opinions on financial statements in 2015-16, 2016-17 and 2017-18. This provides assurance that local public bodies are complying with financial reporting requirements. As at 17 December 2018, auditors had yet to issue 16 opinions on financial statements, so this does not yet represent the full picture for 2017-18.
- Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. Again, as at 17 December 2018, auditors had yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18. This level of qualifications reinforces the need to ensure that local auditors' reporting informs as much as possible relevant departments' understanding of the issues facing local public bodies.
- Auditors qualified their conclusions at 40 (8%) of local government bodies. The proportion of qualifications was highest for single-tier local authorities and county councils where auditors qualified 27 (18%) of their value for money arrangements conclusions. The qualifications were for weaknesses in governance arrangements, often also highlighted by inspectorates' ratings of services as inadequate.
- More local NHS bodies received qualified conclusions on arrangements to secure VfM than local government bodies. In 2017-18, auditors qualified 168 (38%) of local NHS bodies' conclusions; up from 130 (29%) in 2015-16, mainly because of not meeting financial targets such as keeping spending within annual limits set by Parliament; not delivering savings to balance the body's budget; or because of inadequate plans to achieve financial balance. The increase between 2015-16 and 2017-18 is particularly steep at clinical commissioning groups, with qualifications for poor financial performance increasing from 21 (10%) in 2015-16 to 67 (32%) in 2017-18.
- Local auditors are using their additional reporting powers, but infrequently. Since April 2015, local auditors have issued only three Public Interest Reports, and made only seven Statutory Recommendations. These Public Interest Reports have drawn attention to issues such as unlawful use of parking income, governance failings in the oversight of a council-owned company, management of major projects or members' conduct. Auditors have made Statutory Recommendations in relation to failing to deliver planned cost savings, poor processes for producing the annual financial statements and failure to address weaknesses highlighted by independent reviews.
- A significant proportion of local bodies may not fully understand the main purpose of the auditor's conclusion on arrangements to secure value for money and the importance of addressing those issues. 102 local public bodies were contacted where auditors had reported concerns about their arrangements to ensure value for money:

  - half of the bodies (51) said that the auditor's report identified issues that they already knew about;

  - fifty-seven (95%) of those responding said they had plans in place to address their weaknesses but only three were able to say that they had fully implemented their plans; and

  - twenty-six (25%) did not respond at all to the NAO's request.
- The extent to which central government departments responsible for the oversight of local bodies have formal arrangements in place to draw on the findings from local auditor reports varies. Processes in the relevant central government departments differ. The Department of Health & Social Care, NHS Improvement and NHS England have arrangements in place to monitor the in-year financial performance of local NHS bodies, and use information from local auditor reports to confirm their understanding of risks in the system. The Home Office and Ministry of Housing, Communities & Local Government consider the output from local auditors' reports to obtain a broad overview of the issues local auditors are raising, but there is a risk that these two departments may be unaware of all relevant local issues.

1. Local auditor reporting in England 2018, National Audit Office, January 2019 (continued)

- Under the current local audit and performance framework, there is no direct consequence of receiving a non-standard report from the local auditor. Before 2010, a qualified value for money arrangements conclusion would have a direct impact on the scored assessments for all local public bodies published by the Audit Commission at that time. While departments may intervene in connection with the issues giving rise to a qualification, such as failure to meet expenditure limits, there are no formal processes in place, other than the local audit framework, that report publicly whether local bodies are addressing the weaknesses that local auditors are reporting.

A list of all local bodies that received a non-standard local auditor report for 2017-18 was published alongside the report.

https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/

2. Local authorities - governance, National Audit Office, January 2019

The NAO has recently published a report on local authority governance, which examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

The report finds that local authorities have faced significant challenges since 2010. For example, they have seen a real-terms reduction in spending power of 29% and a 15% increase in the number of children in care. These pressures raise the risk of authorities' failing to remain financially sustainable and deliver services.

The way authorities have responded to these challenges have tested local governance arrangements. Many authorities have pursued large-scale transformations or commercial investments that carry a risk of failure or under-performance and add greater complexity to governance arrangements. Spending by authorities on resources to support governance also fell by 34% in real terms between 2010-11 and 2017-18, potentially increasing the risks faced by local bodies.

In 2017-18, auditors issued qualified VFM arrangements conclusions for around one in five single tier and county councils. A survey, carried out by the NAO, of external auditors indicates that several authorities did not take appropriate steps to address these issues.

Some external auditors have raised concerns about the effectiveness of the internal checks and balances at the local authorities they audit, such as risk management, internal audit and scrutiny and overview. For example, 27% of auditors surveyed by the NAO do not agree that their authority's audit committees provided sufficient assurance about the authorities' governance arrangements. Auditors felt that many authorities are struggling in more than one aspect of governance, demonstrating the stress on governance at a local level.

Some authorities have begun to question the contribution of external audit to providing assurance on their governance arrangements. 51% of chief finance officers from single tier and county councils responding to our survey indicated that there are aspects of external audit they would like to change. This includes a greater focus on the value for money element of the audit (26%). External auditors recognise this demand within certain local authorities. However, their work must conform to the auditing standards they are assessed against and any additional activity may have implications for the fee needed for the audit.

The report also finds that MHCLG does not systematically collect data on governance, meaning it can't rigorously assess whether issues are isolated incidents or symptomatic of failings in aspects of the system. MHCLG recognises that it needs to be more active in leading co-ordinated change across the local governance system. The report recommends that MHCLG works with local authorities and other stakeholders to assess the implications of, and possible responses to, the various governance issues identified. It should examine ways of introducing greater transparency and openness to its formal and informal interventions in local authorities and should adopt a stronger leadership role in overseeing the network of organisations managing key aspects of the governance framework.

https://www.nao.org.uk/report/local-authority-governance-2/

3. NHS financial sustainability, National Audit Office, January 2019

This is the NAO's seventh report on the financial sustainability of the NHS. In its recent reports, in December 2015, November 2016 and January 2018, the NAO concluded that financial problems in the NHS were endemic and that extra in-year cash injections to trusts had been spent on coping with current pressures rather than the transformation required to put the health system on a sustainable footing. To address this, local partnerships of clinical commissioning groups (CCGs), NHS trusts and NHS foundation trusts (trusts) and local authorities were set up to develop long-term strategic plans and transform the way services are provided more quickly.

In June 2018, the Prime Minister announced a long-term funding settlement for the NHS, which will see NHS England's budget rise by an extra £20.5 billion by 2023-24. Between 2019-20 and 2023-24, this equates to an average annual real-terms increase of 3.4%. The government asked NHS England to produce a 10-year plan that aims to ensure that this additional funding is well spent. In return for this extra funding, the government has set the NHS five financial tests to show how the NHS will do its part to put the service onto a more sustainable footing.

This report covers 2017-18, so the NAO first concludes on financial sustainability for that year. The NAO considers that the growth in waiting lists and slippage in waiting times, and the existence of substantial deficits in some parts of the system, offset by surpluses elsewhere do not add up to a picture that can be described as sustainable. Recently, the long-term plan for the NHS has been published, and government has committed to longer-term stable growth in funding for NHS England.

In the NAO's view these developments are positive, and the planning approach seen so far looks prudent. The NAO further states that it will really be able to judge whether the funding package will be enough to achieve the NHS' ambitions when we know the level of settlement for other key areas of health spending that emerges from the Spending Review later in the year. This will help inform whether there is enough to deal with the embedded problems from the last few years and move the health system forward.

https://www.nao.org.uk/report/nhs-financial-sustainability/

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

4. A review of the role and costs of clinical commissioning groups, National Audit Office, December 2018

Clinical commissioning groups (CCGs) are clinically-led statutory bodies that have a legal duty to plan and commission most of the hospital and community NHS services in the local areas for which they are responsible. CCGs are led by a Governing Body made up of GPs, other clinicians including a nurse and a secondary care consultant, and lay members. They were established as part of the Health and Social Care Act in 2012 and replaced primary care trusts on 1 April 2013. Since their formation, there have been eight formal mergers of CCGs, which have reduced their number from 211 to 195 as at April 2018. The smallest CCG (Corby) covers a population of 78,000, while the largest (Birmingham and Solihull) covers a population of 1.3 million.

Since commissioning was introduced into the NHS in the early 1990s, there have been frequent changes to the structure of commissioning organisations. This looks set to continue, with the role of CCGs evolving as the NHS pursues a more integrated system across commissioners and providers. Consequently, there are likely to be more CCG mergers and increased collaborative working between CCGs and their stakeholders, for example healthcare providers and local authorities

This review sets out:

- changes to the commissioning landscape before CCGs were established;
- the role, running costs and performance of CCGs; and
- the changing commissioning landscape and the future role of CCGs.

CCGs were created from the reorganisation in how healthcare services are commissioned in the NHS. They were designed to give more responsibility to clinicians to commission healthcare services for their communities and were given resources to do this. NHS England's assessment of CCGs' performance shows a mixed picture. Over half of CCGs were rated either 'outstanding' or 'good', but 42% (87 of 207) are rated either 'requires improvement' or 'inadequate', with 24 deemed to be failing, or at risk of failing. Many CCGs are struggling to operate within their planned expenditure limits despite remaining within their separate running cost allowance. Attracting and retaining high-quality leadership is an ongoing issue.

There has been a phase of CCG restructuring with increased joint working and some CCGs merging. If current trends continue, this seems likely to result in fewer CCGs covering larger populations based around STP footprints. This larger scale is intended to help with planning, integrating services and consolidating CCGs' leadership capability. However, there is a risk that commissioning across a larger population will make it more difficult for CCGs to design local health services that are responsive to patients' needs, one of the original objectives of CCGs.

CCGs have the opportunity to take the lead in determining their new structures. NHS England is expected to set out its vision for NHS commissioning in its long-term plan for the NHS to be published in December 2018. NHS England has said it will step in where CCGs diverge from its vision of effective commissioning. However, it has not set out fully the criteria it will use to determine when to step in.

The NAO's previous work on the NHS reforms brought in under the Health and Social Care Act 2012 highlighted the significant upheaval caused by major organisational restructuring. It is therefore important that the current restructuring of CCGs creates stable and effective organisations that support the long-term aims of the NHS. Following almost three decades of change, NHS commissioning needs a prolonged period of organisational stability. This would allow organisations to focus on transforming and integrating health and care services rather than on reorganising themselves. It would be a huge waste of resources and opportunity if, in five years' time, NHS commissioning is going full circle and undergoing yet another cycle of restructuring.

https://www.nao.org.uk/report/a-review-of-the-role-and-costs-of-clinical-commissioning-groups/

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

5. Departmental overview: Commercial and contracting 2017-18

Using ten case studies from NAO's work over the last 18 months, this overview identifies the main things that government departments need to look out for as they develop commercial relationships with their suppliers. Overall the NAO found that:

- Many problems arise before procurement begins. Good contracting requires getting the basics right at the start by:
- Understanding what you are trying to contract out and the risks attached
- Understanding, by both sides carrying out due diligence, who is best placed to take on those risks
- Ensuring that the contract correctly allocates risks and responsibilities to those best able to manage them.
- There is a need for better performance measures and use of intelligence in managing contracts:
- Commercial capability is improving but contract management remains weak
- Performance measures need to be established at the start and assess quality as well as cost to ensure that the contract delivers value for money.
- Government departments need good intelligence on their suppliers to help them manage contracts effectively
- Government has had mixed results in managing markets, and to ensure that risks are managed and value for money is delivered it needs to develop a more interventionist approach to the markets it has created.

The full report can be found at the following link:

https://www.nao.org.uk/report/departmental-overview-commercial-and-contracting-2017-18/

6. Financial sustainability of local authorities 2018 visualisation

The NAO has made available its on-line 'interactive visualisations' which describe changes in local authorities' financial circumstances from 2010-11 to 2016-17. They can be used to explore broad trends identified in their report Financial sustainability of local authorities 2018 in order to gain a more detailed understanding of the experiences of individual local authorities. The data shows changes in income and spending alongside analysis of factors such as budget overspends and use of reserves.

The data and the original March 2018 report can be found at the following links:

https://www.nao.org.uk/highlights/financial-sustainability-of-local-authorities-2018-visualisation/

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

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

7. Planning for new homes (February 2019)

The NAO has recently published a report on *Planning for new homes.* This report is part of a series on housing in England, including *Housing in England: overview (2017)* and *Homelessness (2017).* The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes a year on average.

The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:

- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:

- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively. Auditors may find the report useful when considering their VFM arrangements risk assessment.

The data and the original March 2018 report can be found at the following links:

https://www.nao.org.uk/report/planning-for-new-homes/

8. Local Audit Quality Forum, Public Sector Audit Appointments, December 2018

The Local Audit Quality Forum (LAQF) is a forum within which representatives of relevant audit bodies can work together and collaborate with others to share good practice and strive to enable improvements in the quality, efficiency and effectiveness of audit arrangements and practices in principal local authorities and police bodies in England. PSAA wants to develop a momentum and a passion for continuous improvement in audit arrangements throughout the entities and sectors for which PSAA has a mandate.

Slides of the Manchester December 2018 event are available on the PSAA website as per the link below.

The theme of the Manchester event was financial resilience and sustainability, a major challenge for all local authorities and police bodies in the current climate and a key strategic concern as bodies prepare 2019/20 budgets and update medium term plans. The event explored:

- the nature and scale of the sustainability challenges facing local bodies;
- the strategies and disciplines which can help to address them successfully; and
- the roles and responsibilities of Chief Finance Officers and Auditors in helping to maintain resilience and sustainability.

https://www.psaa.co.uk/local-audit-quality-forum3/local-audit-quality-forum/

9. Oversight of audit quality, quarterly compliance reports 2018/19 – Quarter 2, Public Sector Audit Appointments Ltd

There are no significant issues arising in the latest quarterly compliance report issued by PSAA, which we are delighted to report shows Mazars being highly rated with nine of the eleven performance measures being rated green. The other two areas: % of Local Government opinion issued, and objections not determined within 9 months, Mazars perform ahead of the All Suppliers results.

https://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/

2. NATIONAL PUBLICATIONS - CIPFA

10. Scrutinising Public Accounts: A Guide To Government Finances, CIPFA, November 2018

This guide provides an overview of the different processes for budgeting and performance reporting in central and local government, health bodies and includes key questions to ask when scrutinising government financial statements using examples based on UK public sector accounts.

This publication is only available online.

https://www.cipfa.org/policy-and-guidance/publications/s/scrutinising-public-accounts-a-guide-to-government-finances

11. CIPFA Fraud and Corruption Tracker 2017/18, CIPFA, October 2018

The CIPFA Fraud and Corruption Tracker (CFaCT) survey gives a national picture of fraud, bribery and corruption across UK local authorities and the actions being taken to prevent it. It aims to:

- help organisations understand where fraud losses could be occurring;
- provide a guide to the value of detected and prevented fraud loss;
- help senior leaders understand the value of anti-fraud activity; and
- assist operational staff to develop pro-active anti-fraud plans.

The 2017/18 report shows that fraud continues to pose a major financial threat to local authorities, with £302m detected or prevented by councils in 2017/18. While this was £34m less than last year's total, the report revealed an overall increase in the number of frauds detected or prevented – up to 80,000, from the 75,000 cases found in 2016/17. Among these cases there are reminders of some of the challenges being faced by local authorities, with the number of serious or organised crime cases doubling to 56, and a significant increase in the amount lost to business rates fraud, which jumped to £10.4m in 2017/18 from £4.3m in 2016/17.

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/local-councils-detect-or-prevent-£302m-in-fraud-in-2017-18

12. Measured resilience in English authorities (December 2018)

CIPFA's July 2018 consultation document outlined a proposed methodology for its Resilience Index, and illustrated how the results might be displayed in practice. The Beta Version of CIPFA's Resilience Index, released to finance directors of English councils in December 2018, is a tool that enables authorities to view their positions, relative to others, on a range of measures linked to financial risk. This briefing note summarises key results from across the country, including a description of the measures chosen and their link to financial resilience. The tool is a test version and CIPFA will be running a series of development workshops with finance directors across the country in 2019 ahead of the release of a final version, when CIPFA also aims to publish a new Financial Management Code. Following official publication of local authority revenue and expenditure outturn data in November 2019, the Index will be made publicly available online.

The briefing can be found at the following link:

https://www.cipfa.org/policy-and-guidance/reports/measured-resilience-in-english-authorities

2. NATIONAL PUBLICATIONS - CIPFA

13. Managing Risk in the Local Government Pension Scheme (December 2018)

CIPFA has worked with Aon to revise and update its 'Managing Risk in the Local Government Pension Scheme publication. The guidance explores how risk manifests itself across the broad spectrum of activities that constitute LGPS financial management and administration. The publication then explains how, by using established risk management techniques, these risks can be identified, analysed and managed effectively.

A briefing on the updated publication can be found at the following link:

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-says-lgps-funds-need-to-take-the-right-view-of-risk

14. New statement of professional practice on ethics (November 2018)

Coming into effect on 1 November 2018, the new SOPP on ethics aligns with the latest edition of the International Ethical Standards Board of Accountants Code (the Code) released in April 2018. The standard is accompanied by updated guidance and has been introduced by CIPFA to help provide clarity and support for members to meet global ethical standards and best practice, a matter of increasing important in the context of demanding public finance environments. The five fundamental principles detailed in the updated Code are to be upheld by all CIPFA members, and include integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. CIPFA had earlier in the year carried out a member survey and found almost 60% of public sector finance professionals have come under pressure to act unethically at least once in their career. By updating the SOPP to the latest Code based on internationally recognised principles, and by providing relevant modern case studies, CIPFA wants to ensure that every one in public sector finance is supported to act ethically in their roles, and in line with the public good.

The Statement can be found at the following link:

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-introduces-new-statement-of-professional-practice-(sopp)-on-ethics

15. Social care risk tool (February 2019)

CIPFA and the Association of Directors of Adult Social Services (ADASS) have released the 2018 edition of the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.

The tool's objective is to help authorities assess whether unsustainable financial pressures might be faced by the adult social services department. It seeks to do this by assessing the extent to which various risk factors apply. This is the third version of the risk tool and it has been expanded to include new risks that have emerged since the previous version. In addition, a number of risks have been revised to make them clearer.

The risk assessment adopts a survey format and covers the following areas:

- savings;
- local pressures; and
- culture and relationships.

Each of the areas above includes a series of questions (or indicators), and authorities are required to assess whether the indicators are strongly present (score of 5); only present to some extent (scores 2 to 4); or not at all (score of 1). The total score helps to give an indication of where the authority lies. The maximum score is 195 (there are 39 questions altogether) which represents the highest risk possible. Some of the metrics (particularly those relating to unit costs) are more illustrative than prescriptive and local authorities may wish to adjust these to reflect their local circumstances.

The risk tool is available on CIPFA's website:

https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool

16. CIPFA guidance on streamlining accounts (December 2018)

CIPFA has released its publication on Streamlining local authorities' accounts. The publication covers a range of issues relating to streamlining both the financial statements and the accounts closure processes and includes information provided by local authorities who are already driving change in this area. These local authorities report that clearer and shorter financial statements that are code compliant, can be prepared to a high standard, with a reduction in the time and resources required to complete them.

The publication Streamlining the Accounts: Guidance for Local Authorities is split into 2 parts as follows:

Streamlining financial statements

This involves streamlining the presentation of financial statements by ensuring that local authorities have identified the needs of the users of the financial statements and that financial statements convey key messages clearly, concisely and efficiently. In this part of the publication, CIPFA considers three aspects of streamlining the presentation of local authority financial statements and these include:

- *materiality* - using materiality to avoid key messages in the financial statements being obscured by excessive detail;
- *accounting policies* - reviewing accounting policies so that only relevant information is disclosed; and
- *presentation and layout* – considering the presentation of the financial statements so that the layout is such that it allows readers to navigate through the statement and focus on key messages.

Streamlining year-end closure

In the publication, CIPFA summarises the key elements to streamlining the accounts closure process as effective planning and project management – focusing on what is important and starting the process early to promote a "right first time" culture.

CIPFA has also included several examples of good practice in the publication, but also notes that these examples should be tailored to each individual authority's circumstances.

The publication is available on CIPFA's website:

https://www.cipfa.org/~/media/files/policy%20and%20guidance/panels/local%20authority%20accounting%20panel/streamlining_guidance_pre_publication_version.pdf?la=en

17. Summary of NHS long-term plan, Mazars, January 2019

To support local planning, local health systems will receive five-year indicative financial allocations for 2019/20 to 2023/24 and be asked to produce local plans for implementing the commitments set out in the NHS Long Term Plan. But what does it mean for local government?

The Plan recognises that more focus is needed on community care, mental health and wellbeing, reducing health inequalities and preventative care. The implications for local authorities should become clearer with a green paper expected later this year. With NHS revenue funding to grow by an average of 3.4% in real terms a year over the next five years delivering a real term increase of £20.5 billion by 2023/24, this extra spending will need to deal with current pressures and unavoidable demographic change and other costs, as well as new priorities.

Relationships between the NHS and local government could be more challenging since the direct and significant financial relationship with the NHS through the Better Care Fund is facing an overhaul and the extent of structural overhaul facing the NHS, through the advancement of Integrated Care Systems, requires time and effort. In this briefing, we cover:

- System Architecture and Planning
- Prevention and Inequalities
- Out of Hospital Care - Primary/Community Services
- Urgent/ Emergency Care
- Elective Care

Theme	Key features	Implications and questions for local government
System Architecture and Planning	Integrated Care Systems (ICS) will be everywhere by April 2021 with the ‘triple integration’ of primary and specialist care, physical and mental health services, and health with social care, at a place level with commissioners sharing decisions on planning with providers. Each ICS will have a single set of commissioning decisions at the system level. This will typically involve a single Clinical Commissioning Group (CCG) for each ICS area with CCGs to become leaner, more strategic organisations working with partners, population health, service redesign and delivery of the plan. ICS constitution will involve a partnership board consisting of commissioners, trusts, primary care networks, non-executive chair and an accountable Clinical Director for each Primary Care network. There will also be a new ICS accountability and performance framework to provide a consistent and comparable set of performance measures. It will include a new ‘integration index’ to measure how joined up the system is. This is interesting as it’s the public voice.	Integrated Care Systems will have a key role in working with local authorities at the ‘place’ level and, through the ICS governance structure, commissioners will make shared decisions with providers on how to use resources, design services and improve population health. A review and revision of the Better Care Fund may have direct financial implications for local authorities, particularly those arrangements where some Better Care Fund streams are used as support funding for social care services. The NHS Plan does recognise social care in terms of pressures it may create on the NHS and the need to continue to support local measures to address rising demand and costs through pooled budgets, personal health and social care budgets and cites the example of the NHS overseeing a pooled budget with a joint commissioning team (Salford model), where the Council Chief Executive is the accountable officer. A Green Paper is expected to provide further clarity.

MAZARS

2. NATIONAL PUBLICATIONS – MAZARS

Theme	Key features	Implications and questions for local government
Prevention and Inequalities	From April 2019, Clinical Commissioning Groups (CCGs) will receive a health inequalities funding supplement, with the possibility of the commissioning of public health services, e.g. health visitors, school nurses, sexual health etc., to return to the NHS. A planned £30 million investment in rough sleepers.	The onus to reduce health inequalities falls to local authorities with the NHS as support. How / will funding flow into local authorities via CCGs or will we need to wait until the next spending review? Investment in the health of rough sleepers is a short-term fix – the wrap around is for local authorities to work on housing, mental health, care and employment.
Out of Hospital Care - Primary/Community Services	There will be a greater proportionate level of investment in Primary care and Community Health Services: with ringfenced local funding equivalent to a £4.5 billion increase by 2023/24. In return, the NHS Plan is expecting: ▪ Fully integrated community support with training and development of multidisciplinary teams in primary and community hubs, including community hospitals. ▪ Integrated teams of GPs, community services and social care. Urgent response and recovery support will be delivered by flexible teams working across primary care and local hospitals, including GPs, allied health professionals, district nurses, mental health nurses, therapists and reablement teams. ▪ More support for Care Homes to address hospital admissions and sub-optimal medication, with an Enhanced Care in Care Homes vanguard model is to be adopted that aims to improve the links between Care Homes and Primary Care through a consistent healthcare team and named practice support, pharmacist led medication reviews, emergency support, and access to records.	When care transfers into the community, there is an increasing need to manage the multiagency points of contact. Having integrated teams implies local authority care workers working alongside private sector GPs and NHS staff: how will referrals, care pathways and advice on alternative services, for example housing, be managed? This also raises the need for some joined up thinking over estates management and the infrastructure of public service assets – where should teams be based? Local authority supply management of care homes becomes more challenging: the resilience of local market is stretched with the cost of care not always making provision financially viable – will any additional funding merely bring back some stability falling short of ambitions for Enhanced Care? Technology becomes increasingly important including considerations for secure data sharing between organisations. Proposals to support advances in home wearables/monitoring technology to predict hospital admission, linked to smart home technology create new forms of the same challenge: who monitors the data and who is it shared with for the person's best interests? With an increase in social prescribing and personal health budgets, local authorities, including park authorities, can provide support through existing provision of leisure and community services. How can you create community engagement and healthier lifestyles?

2. NATIONAL PUBLICATIONS – MAZARS

Theme	Key features	Implications and questions for local government
Urgent/ Emergency Care	The goal is to achieve and maintain an average Delayed Transfers of Care figure of 4,000 or fewer delays. This aims to be achieved by placing therapy and social work teams at the beginning of the acute hospital pathway, with an agreed clinical care plan within 14 hours of admission that includes an expected date of discharge.	A direct and an indirect impact to local authorities for those residents in care or living in local authority housing. There becomes an increasing need for local authorities to dexterously call on partners across the local authority boundary, including the use of existing disabled facilities grant funding, to ensure people can return home safely. The Stoke-on-Trent based Revival Home from Hospital service is working at record levels and is saving the NHS almost £500,000 a year. The service helps people to get home from hospital as quickly as possible by making sure their homes meet their health needs.
Elective Care	An NHS Personalised Care model and expansion of Personal Health Budgets, for example bespoke wheelchairs and community-based packages of personal and domestic support, mental health services, learning disabilities, and those people receiving social care support. There is expected to trained social prescribing professionals connecting people to wider services.	Who is best placed to provide advice on connecting people to wider services? Who is well placed to deliver connected services and is there more space for framework contracts of approved providers for people to draw down from?

A summarised version of the Plan is available to download from our website:

https://www.mazars.co.uk/Home/Industries/Public-Services/Health/NHS-Long-Term-Plan-summary

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MAZARS

TRAFFORD COUNCIL

Report to: **Accounts and Audit Committee**
Date: **26 March 2019**
Report for: **Approval**
Report of: **Audit and Assurance Manager**

Report Title

Audit and Assurance Service – Internal Audit Charter and Strategy

Summary

The Accounts and Audit Committee is provided with the Internal Audit Charter and Internal Audit Strategy documents for approval following their recent review. The Internal Audit Charter and Strategy were previously updated in March 2018 and have recently been reviewed further and updated to reflect recent service changes during 2018/19.

Proposed amendments to be made to the Charter and Strategy reflect the following changes with the relevant paragraphs highlighted in the report:

- **Following the Council restructure of the Corporate Directorates, the Audit and Assurance Service is now part of the Financial Management service area within the Finance and Systems Directorate. The Audit and Assurance Manager reports both to the Deputy Director of Finance as line manager and also reports directly to the Corporate Director of Finance and Systems (Section 151 Officer) on all key internal audit related matters. (Updated as highlighted in Sections 4 and 5 of the Internal Audit Charter; and Sections 3 and 7 of the Internal Audit Strategy).**

- **Updated to include more detail regarding current reporting arrangements through the year by the Audit and Assurance Service to the Accounts and Audit Committee (Internal Audit Strategy – Appendix: Quality Assurance Improvement Programme Section 2.3).**

Recommendation

The Accounts and Audit Committee is asked to approve the Internal Audit Charter and Strategy.

Contact person for access to background papers and further information:
Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers:
None

TRAFFORD
COUNCIL

Internal Audit Charter

Audit and Assurance Service (March 2019)

TRAFFORD COUNCIL

AUDIT AND ASSURANCE SERVICE - INTERNAL AUDIT CHARTER

1. Introduction

1.1 Section 151 of the Local Government Act 1972 requires Councils to "make arrangements for the proper administration of their financial affairs". More specific requirements are detailed in the Accounts and Audit Regulations 2015 in that the relevant authority must "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

1.2 The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function at Trafford which is provided by the Audit and Assurance Service.

1.3 The Audit and Assurance Service is required to operate in accordance with the UK Public Sector Internal Audit Standards. The Standards are mandatory for all internal auditors working in the UK Public Sector.

2. Definitions

Internal Audit

2.1 "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes." (Public Sector Internal Audit Standards).

2.2 CIPFA provide further details in their PSIAS Local Government Application Note : "Internal audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

The "Board" and "Senior Management"

2.3 The Public Sector Internal Audit Standards (PSIAS) require that the internal audit charter defines the terms 'board' and 'senior management' in relation to the work of internal audit. For the purposes of internal audit work, the 'board' refers to the Council's Accounts and Audit Committee which has delegated responsibility for overseeing the work of internal audit. The term senior management will be defined on an individual basis according to individual context but will usually refer to the Corporate Leadership Team (CLT).

3. Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing

3.1 The Mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. In order to achieve this, in accordance with the PSIAS, it should operate in accordance with the following core principles:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement.
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

4. Status

4.1 The Audit and Assurance Service forms part of Financial Management within the Finance and Systems Directorate.

4.2 Internal Audit’s authority derives directly from its statutory responsibilities and the Procedure Rules established by the Council.

4.3 The responsibility for the production and execution of the internal audit plan and subsequent audit activity rests with the Audit and Assurance Manager. The Audit and Assurance Manager reports to the Deputy Director of Finance and the Corporate Director of Finance and Systems (Section 151 Officer) but will also report directly to the Chief Executive where required.

5. Reporting Lines

5.1 The work of the Audit and Assurance Service is reported directly to the Chief Executive; to members via the committee charged with responsibility for audit and governance (The Accounts and Audit Committee, defined by the term “Board” under PSIAS) and to Executive members. The work of the Accounts and Audit Committee is also reported annually to the Council.

5.2 Internal audit assignments are the subject of formal reports. These reports are sent to the relevant Corporate Director and Head of Service together with relevant managers. The Executive member with portfolio responsibility, Chief Executive, Corporate Director of Finance and

Systems, Deputy Director of Finance and External Audit will receive copies of the internal audit reports. The Monitoring Officer will also receive copies of audit reports at the discretion of the Audit and Assurance Manager. Reports are issued initially as drafts and, following agreement as to contents and responsibility for implementing recommendations, a final report is issued. The Accounts and Audit Committee is provided with a listing on a periodic basis of each audit report, summarising the findings and stating the audit opinion given.

6. Independence

6.1 The Audit and Assurance Service will be sufficiently independent of the activities being audited so that auditors are able to make impartial and effective professional judgements and recommendations.

6.2 Internal Audit will determine its priorities in consultation with the Accounts and Audit Committee.

6.3 The Audit and Assurance Manager will report impartially in his or her own name.

6.4 Where internal audit staff have a perceived or real conflict of interest in undertaking a particular piece of audit work (whether for personal reasons or through managing or undertaking any non-audit duties), this will be managed through the internal audit management and supervisory process. Work will be re-assigned where appropriate. Staff are required to declare any potential conflict of interest and a signed declaration from each member of staff is required on an annual basis. In the event that the Audit and Assurance Manager has responsibility for any activity relating to non-audit duties, to ensure independence is not impaired, the Audit and Assurance Manager would not be directly involved in the audit of this activity and arrangements would be agreed with the Section 151 Officer.

6.5 Adequate budgetary resources will be made available to enable the Internal Audit function to maintain its independence.

7. Responsibilities

7.1 The main objective of the Audit and Assurance Service is to provide the Council with an independent and objective opinion on the Council's control environment.

7.2 The Audit and Assurance Service should play a key role in shaping the ethics and standards of the Council and where appropriate, act as a catalyst for change and improvement.

7.3 The scope of internal audit work will cover all the Council's activities and encompass both the financial and non-financial aspects of the control environment. This includes activities undertaken in partnership with other organisations where assurance will be sought in accordance with agreed protocols including access rights.

7.4 Internal audit work comprises an independent and objective review of the control environment. The key elements of the control environment include:

(a) Establishing and monitoring the achievement of the organisation's objectives
(b) The facilitation of policy and decision making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the council, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
(c) Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness
(d) The financial management of the Council and the reporting of financial management
(e) The performance management of the Council and the reporting of performance management.

7.5 The Council's assurance and performance management framework will be taken into consideration when determining the work of Internal Audit. The key elements of the assurance and performance management framework are:

- Risk management both at the strategic and operational levels
- The monitoring of key Council objectives and targets by the Corporate Leadership Team
- Business planning - the identification and monitoring of key business targets by individual services
- Self-assessments by managers of the operation of controls for which they are responsible
- Reviews by External Audit
- Reviews by other external agencies
- Scrutiny reviews
- Previous work of Internal Audit and the Accounts and Audit Committee.

7.6 Particular attention will be devoted to any aspects of the control environment affected by significant changes within the organisation's risk environment.

7.7 The Audit and Assurance Manager will also make a provision, in the scope of Internal Audit's work, to form an opinion where key systems are operated by the Council on behalf of other bodies or other bodies are operating key systems on behalf of the Council.

7.8 Where the Council works in partnership with other organisations, the role of Internal Audit will be defined on an individual basis.

7.9 The Audit and Assurance Manager will give an opinion on the operation of the Council's control environment, which encompasses internal control, risk management and governance. This is set out in the annual Head of Internal Audit report.

7.10 The Audit and Assurance Service will also take a lead role in supporting the work of the Accounts and Audit Committee. This will include co-ordinating the committee's work programme in agreement with committee members and supporting the committee to report on its work undertaken.

8. Fraud and Corruption

8.1 The Audit and Assurance Service works with other services including the Counter Fraud and Enforcement Team, Human Resources and Legal Services to maintain the Council's anti-fraud and corruption policy, strategy and supporting guidance. The Service also works with others to raise awareness of anti-fraud measures across the Council and fraud risks are considered as part of Internal Audit review work.

8.2 The Audit and Assurance Manager will be informed of suspected or detected fraud, corruption or impropriety, so that he or she can consider the adequacy of the relevant controls and evaluate the implications of fraud and corruption for his or her opinion on the internal control environment.

9. Access

9.1 The Audit and Assurance Service will have unrestricted direct access to all members, council personnel, records (whether manual or computerised), cash, stores, and other assets and may enter council property or land to obtain such information and explanations considered necessary to fulfil the responsibilities of an internal audit function. Such access shall be granted on demand and not be subject to prior notice and will also extend to partner bodies or external contractors working on behalf of the authority insofar as such access relates to work carried out or services provided on behalf of or in partnership with the authority. In respect of issues where clarity may be required in relation to access rights e.g. in relation to specific partnership arrangements, Audit and Assurance will seek advice, e.g. from relevant service areas such as Legal Services.

10. Limitations of Internal Audit Responsibilities

10.1 In seeking to discharge the responsibilities detailed above, and in line with the responsibilities of Internal Audit set out in section 7 above, it should be noted that the Internal Audit function is not responsible for:

- Controlling the risks of the authority.
- Establishing and maintaining systems of internal control.
- Determining operational policies or procedures.

11. Resources

11.1 The Audit and Assurance Manager will hold a relevant professional qualification; have wide experience of audit and management and will be responsible for ensuring that the Audit and Assurance Service is appropriately staffed in terms of numbers, grades, qualification levels and experience.

11.2 The Audit and Assurance Manager will ensure that appropriate provision is made for maintaining and developing the competence of audit staff. All internal auditors will undertake a programme of continuing professional development to maintain and develop their skills. A record of training and development undertaken and planned will be maintained.

11.3 The Audit and Assurance Manager is responsible for ensuring that the resources of the Audit and Assurance Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was concluded that resources were insufficient this will be formally reported to the Section 151 Officer, Chief Executive and, if the position is not resolved, to Members charged with responsibility for audit and governance (Accounts and Audit Committee).

12. Consultancy

12.1 Consultancy comprises the range of services, other than assurance services, provided by Internal Audit to assist management in meeting the objectives of the Council. This may include facilitation, process design, training, and advisory services. The Audit and Assurance Manager will be responsible for deciding what level of consultancy support Internal Audit can provide. The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the planned annual assurance process.

12.2 In the event that the Service has previously performed consulting services, in planning the allocation and scoping of future assurance work, account will be taken of consultancy work performed in that area to ensure that independence and objectivity is not impaired.

12.3 Account will always be taken of the primary objective of Internal Audit to complete assurance work and approval would be sought from the Accounts and Audit Committee before any significant unplanned consultancy work is agreed which would impact on the Internal Audit Plan.

13. Review

13.1 The Internal Audit Charter will be subject to regular review, the results of which will be reported for approval by the Corporate Leadership Team and the Accounts and Audit Committee.

Mark Foster
Audit and Assurance Manager
March 2019

Internal Audit Strategy

Audit and Assurance Service (March 2019)

TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE

INTERNAL AUDIT STRATEGY

1. Introduction

1.1 The Internal Audit Charter defines the purpose, authority and principal responsibilities of Internal Audit. The Internal Audit Strategy set out in this document details the arrangements in place to deliver internal audit so as to ensure that the objectives of the Audit and Assurance Service are met and the scope of it understood.

1.2 The Audit and Assurance Service is required to deliver a risk-based audit plan in a professional independent manner, to provide the Council with an opinion on the level of assurance it can place upon the internal control environment (which encompasses internal control, risk management and governance); and, where applicable, to make recommendations to improve it.

1.3 The Strategy Statement below sets out the key requirements for ensuring the Audit and Assurance Service fulfils its role effectively. The Statement sets out the overarching vision and aims of the Service. Details of how these requirements are to be met are set out in sections 3 to 8 of the Strategy.

2. Strategy Statement

2.1 The Mission and Core Principles for Internal Audit are defined in the Internal Audit Charter, in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Audit and Assurance Service should work to these in its planning and service delivery. (See Section 3.1 of the Internal Audit Charter).

2.2 The Audit and Assurance Service plays a key role in shaping the ethics, values and standards of the Council. The Service should be professional, challenging and innovative, acting as a catalyst for change and improvement by:

- Ensuring its work adds value and maximises assurances to the Council about its positive impact on the achievement of corporate objectives and service delivery;
- Having a sound knowledge of the organisation, being forward looking and aware of local, regional and national agendas and their impact on the Council;
- Ensuring the service is flexible, works in partnership with managers, invests in good working relationships with all stakeholders and responds effectively to the changing needs of the Council;

- Having sufficient resources to effectively deliver the vision and uphold professional standards, particularly officer resources with the number, skills mix, knowledge and experience to achieve this.

3. Service Provision

3.1 The Internal Audit function is provided by the Audit and Assurance Service, which is part of Financial Management within the Finance and Systems Directorate. Day to day management is the responsibility of the Audit and Assurance Manager who reports both to the Deputy Director of Finance (line manager) and also reports directly to the Corporate Director of Finance and Systems (Section 151 Officer) on all key internal audit related matters. The Service maintains independence in its reporting as set out in its Charter and associated procedures.

3.2 Internal audit services to the Council are currently provided by in-house resources and are complemented by bought-in resources as follows:

- Specialist ICT audit resources are provided by Salford Internal Audit Services. This arrangement was originally agreed by the Association of Greater Manchester Authorities as part of a review of joint working whereby Salford City Council provide specialist resources for use by all the Greater Manchester authorities. These specialist resources are used to complement in-house resources.
- Internal audit resources will be bought-in if the Audit and Assurance Manager, in agreement with the Head of Financial Management and Corporate Director of Finance and Systems, considers this to be necessary to ensure completion of the internal audit plan, and if resources permit this approach. The engagement of bought-in internal audit resources will be reported to members charged with the responsibility for audit and governance. (Recognition will be given to potential conflicts of interest where bought in internal audit resources also provide non internal audit services to the Council).

3.3 The Audit and Assurance Manager is responsible for ensuring that all internal audit work complies with the Internal Audit Charter and the Public Sector Internal Audit Standards.

4. Audit Planning

4.1 A risk based Audit and Assurance Service plan will be produced on an annual basis. This will be derived from the ‘Audit Universe’ which comprises all auditable areas in the control environment. Work will be planned to ensure adequate assurance is provided towards the completion of the Council’s Annual Governance Statement.

4.2 Resources will be allocated taking into account assurance levels required, risks involved and the potential impact of the work. The planned programme of work will be informed by:

- assurance required to be provided as a Council
- assurance gained from other sources other than internal audit work including external audit and other inspectorates, service self-assessments etc.
- knowledge and understanding of the organisation including future priorities and potential impacts
- detailed consultation with key stakeholders.

4.3 Factors to be taken into account when undertaking a risk assessment of auditable areas will take account of the council's assurance and performance management framework including:

- Risk management both at the strategic and operational levels
- Monitoring of key council objectives and targets by the Corporate Leadership Team
- Directorate and Service Business Planning arrangements
- Governance and control self-assessments by managers of the operation of controls for which they are responsible
- Reviews by External Audit and other external agencies
- Other internal reviews including scrutiny work
- Previous internal audit and Accounts and Audit Committee findings.

4.4 The Annual Internal Audit Plan lists the areas to be audited and the resources required. Audit reviews and other programmes of work will focus both on strategic and operational issues. To ensure adequate flexibility, audit work will involve a number of different methods of delivery i.e. traditional internal audit reviews; provision of guidance; awareness raising; advice to project / working groups etc. The plan will be prepared to ensure:

- Fundamental financial systems are reviewed on a cyclical basis.
- Adequate resources are set aside for anti-fraud and corruption work including investigating suspected cases and raising awareness across the Council.
- Adequate resources are included to enable reviews of the Council's corporate governance and risk management arrangements.
- The Council's ICT systems and information governance processes are subject to adequate internal audit coverage.
- Procurement and contracts arrangements across the council are reviewed.
- Internal Audit fulfils its role in auditing schools, supporting the process by which schools are required to meet the Schools Financial Value Standard.
- Adequate coverage of other key business risks including individual coverage of authority-wide issues, individual services, establishments, partnerships, programmes and projects.

4.5 Provision is made to follow up work completed in previous periods. The plan also contains a contingency for unforeseen changes which may necessitate a change in priorities.

4.6 The Internal Audit Plan is flexible and will be kept under review and will be revised to take account of changes in the risk environment. Significant changes in the plan will be reported to the Corporate Leadership Team and to the Accounts and Audit Committee.

5. **<u>Service Delivery</u>**

5.1 There will be close working with management in agreeing the scope of individual audit assignments. The planning and scoping process takes into account any significant factors, developments and key risks to ensure the internal audit review of that area will add value for the Council.

5.2 The ongoing development of the Audit and Assurance Service's knowledge base will provide an effective source of information as part of the planning process. Knowledge will be developed by various means including ongoing liaison and discussion with managers and other key stakeholders.

5.3 Individual Audit and Assurance projects will have, within the overall project time allocation, planned time to allow the Audit and Assurance Officer(s) to research and build their knowledge of the area (proportionate to the nature/complexity of the review).

5.4 The Audit and Assurance Manager will ensure that there are documented protocols and procedures for planning and conducting audits, setting out the standards for the service. These will be set out in the Audit Manual. The Audit and Assurance Manager will monitor performance against the standards set out in the Audit Manual and other relevant documents.

6. **<u>Reporting</u>**

6.1 Reporting arrangements for the Audit and Assurance Service are set out in protocols which form an integral part of the Service's Audit Manual.

6.2 The approach to reporting, delivering opinions and supporting conclusions, and developing associated improvement actions will be flexible. This will be to ensure that officer resources are effectively utilised, the needs of recipient managers/stakeholders are met, the necessary assurance is provided and the form of reporting maximises ownership and impact of resulting improvement actions / organisational change being recommended.

6.3 For individual audit assignments, where internal audit recommendations are made, these will be discussed with management prior to the issue of audit reports. The findings from the audit will be reported, clearly identifying and explaining the key risks and control weaknesses, with the relative priority of recommendations clearly communicated. Following each audit, the client manager will have the opportunity to provide feedback via the client satisfaction survey.

6.4 Progress against the annual internal audit plan will be monitored by the Audit and Assurance Manager and reported to the Corporate Leadership Team and to the Accounts and Audit Committee on a regular basis.

6.5 The Audit and Assurance Service will give an overall opinion each year on the Council's risk management, control and governance arrangements to support the Annual Governance Statement. The Internal Audit opinion on the control environment will be given in the Annual Head of Internal Audit Report, which will be presented to the Corporate Leadership Team and the Accounts and Audit Committee.

7. Staffing / Resources

7.1 In order to deliver the Internal Audit Strategy and comply with professional standards, it is important that the Audit and Assurance Service comprises staff with the appropriate skills and experience.

7.2 Audit and Assurance officers are expected to undertake continuing professional development as appropriate and undertake training / development activities, both for personal development and to ensure there is an effective skills balance within the Service.

7.3 The Service operates personal development and review processes in line with the Council's policy as well as professional good practice. Ongoing training and development needs are identified as part of this process. In addition to internal training, such as through e-learning, shadowing the work of colleagues etc., available training provided by key providers such as CIPFA and IIA is considered and where appropriate included within the ongoing programme of training. Training and development needs are reviewed regularly.

7.4 The Service has a clearly defined code for staff encompassing ethics, conduct and values in accordance with the Public Sector Internal Audit Standards. Staff are required to complete and sign a declaration statement in line with the PSIAS Code of Ethics.

7.5 If resources, including staffing, are insufficient for the Audit and Assurance Service to provide an opinion on the control environment, the Audit and Assurance Manager will report this to the Deputy Director of Finance, Corporate Director of Finance and Systems, Chief Executive and to the Accounts and Audit Committee.

8. Ongoing Development Actions

8.1 The Service reviews its procedures, systems and working methods on a regular basis. This includes a review, at least annually, against the Public Sector Internal Audit Standards through either an internal or external assessment. Details are reported to the Accounts and Audit Committee within the Head of Internal Audit Annual Audit Report. The Service has a Quality Assurance Improvement Programme setting out its quality review processes in place which includes details in respect of both internal and external assessments (See Appendix).

8.2 There are a number of areas that are subject to ongoing or periodic review to ensure standards are maintained and where possible improvements made. The following will continue to be considered as part of ongoing service planning and monitoring of performance:

- Consider the ongoing appropriateness / application of audit procedures and protocols both in ensuring these continue to meet the organisation’s requirements and remain in accordance with the Public Sector Internal Audit Standards.
- Continue to consider and where appropriate, adopt, various approaches to audit reporting taking into account client feedback.
- Continue to consider training and development needs of staff to ensure there remains adequate knowledge and expertise in specific areas of audit activity.
- As part of ongoing audit planning, continue to consider the approach to gathering assurance including collaboration with other Internal Audit providers e.g. in respect of audit reviews of partnerships and other arrangements where there is collaboration between organisations.
- Continue to consider appropriate means of raising awareness of key governance and control issues. Ensure content on the Audit and Assurance Intranet site is regularly reviewed to ensure it is up to date and provides effective guidance.
- Ensure methods of working take into account any changes in the organisational structure, accommodation issues, technology, agile working protocols etc.

9. Review

9.1 The Internal Audit Strategy will be subject to regular review, the results of which will be reported to the Accounts and Audit Committee and the Corporate Leadership Team.

Mark Foster
Audit and Assurance Manager
March 2019

APPENDIX

Quality Assurance Improvement Programme - Audit and Assurance Service

Audit and Assurance Service (March 2019)

TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE

Quality Assurance Improvement Programme

1. Introduction

1.1 The Audit and Assurance Service Quality Assurance and Improvement Programme (QAIP) is in place to provide reasonable assurance to the various stakeholders of the Internal Audit activity that the Service:

- Performs its work in accordance with its Charter, which is consistent with The Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics;
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and improving Internal Audit's operations.

1.2 The QAIP covers Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:

- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner;
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics;
- Helping the Internal Audit activity add value and improve organisational operations;
- Undertaking both periodic and on-going internal assessments (Standard 1311); and
- Commissioning an external assessment at least once every five years, the results of which to be are communicated to the Accounts and Audit Committee (in accordance with Standard 1312 and 1320).

2. Internal Assessments

2.1 In accordance with PSIAS Standard 1311, internal assessments are undertaken through both on-going and periodic reviews.

On-going Reviews

2.2 Continual assessments are conducted through:

- Management supervision of each audit review;
- Audit policies and procedures used as set out in in the Internal Audit Strategy and Audit Manual for each assignment in order to comply with appropriate planning, fieldwork and reporting standards;
- Review and approval of all final reports including recommendations and levels of assurance by the Audit and Assurance Manager.
- Feedback from audit clients obtained through a client survey issued following each internal audit review. A summary analysis of

responses received is included in the Annual Head of Internal Audit report.

- Monitoring of internal performance to feed into regular reporting to the Corporate Leadership Team and Accounts and Audit Committee.

Periodic Review

2.3 Periodic assessments/reviews are conducted through:

- Reporting through the year in periodic updates and annual reporting to the Corporate Leadership Team and the Accounts and Audit Committee on the work of Internal Audit. This includes presenting the Internal Audit Plan for approval; periodic updates of progress against the Plan and work completed for the year reflected in the Annual Head of Internal Audit Report.

- Annual self-assessment against the Public Sector Internal Audit Standards with a summary of the outcome of this exercise reported in the Annual Head of Internal Audit Report, including any key improvement actions planned.

- Performance review of individual audit staff through the Council's Performance Development Review (PDR) process.

3. <u>External Assessments</u>

3.1 External assessments will appraise and express an opinion about Internal Audit's conformance with the PSIAS' Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

Frequency of External Assessment

3.2 An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the External Assessment will be agreed with the Section 151 Officer and Chair of the Accounts and Audit Committee.

Scope of External Assessment

3.3 The scope of the external assessment will consist of the following elements of Internal Audit activity:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, Internal Audit's Charter, plans, policies, procedures, practices, and any applicable legislative and regulatory requirements;
- Integration of the internal audit activity into the Council's governance and reporting framework;

- Processes undertaken by Internal Audit;
- The mix of knowledge, experiences, and disciplines within the staffing structure;
- A determination whether Internal Audit adds value to governance, risk management and internal control within the Council.

3.4 Results of external assessments will be provided to the Accounts and Audit Committee. The external assessment report will be accompanied by a written action plan in response to recommendations identified. Any significant areas of non-compliance will be reported in the Annual Head of Internal Audit Report and where applicable, considered for inclusion in the Annual Governance Statement.

4. Review of the QAIP

4.1 This document will be appropriately updated following any changes to the PSIAS or Internal Audit's operating environment and will be reviewed on a regular basis.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 26 March 2019
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Service – Internal Audit Operational Plan 2019/20

Summary

The purpose of the report is to provide, at a high level, the proposed Internal Audit Operational Plan for 2019/20.

Recommendation

The Accounts and Audit Committee is asked to approve the 2019/20 Internal Audit Plan.

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

Internal Audit Plan 2019/20

Date: **March 2019**

Internal Audit Operational Plan 2019/20 – Audit and Assurance Service

1. Introduction

1.1 The 2019/20 Internal Audit Operational Plan identifies the work to be undertaken by the Audit and Assurance Service during the year. This report describes its method of compilation and presents, at a high level, the 2019/20 Plan for approval.

2. Background

2.1 Local authorities continue to face challenges in delivering services with the limited resources available. This is particularly difficult with changing and increasing demand pressures and also funding and cost pressures. It is important that local authorities manage resources effectively, manage risks and consider opportunities to help achieve priorities. As part of this, councils need to ensure effective governance arrangements, systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised. Internal Audit work aims to support the organisation providing independent review of systems, processes and controls and provides a mechanism for identifying improvement actions required by the organisation.

2.2 Each year the Audit and Assurance Service produces a report setting out its annual plan for approval by the Corporate Leadership Team (CLT) and the Accounts and Audit Committee. Subsequent updates are then provided to CLT and the Accounts and Audit Committee through the year highlighting work undertaken and progress against key areas of the plan. Actual work undertaken during the year against work planned is set out in the Annual Head of Internal Audit Report.

2.3 In accordance with the Accounts and Audit Regulations 2015, it is a requirement that the Council "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." The Audit and Assurance Service must undertake its work in accordance with the Public Sector Internal Audit Standards.

2.4 The Service's approach to undertaking internal audit work is set out in the Internal Audit Charter and Strategy documents. These were previously approved by CLT and the Accounts and Audit Committee in March 2018 and revised versions have been provided for approval in March 2019.

3. Compilation of the Internal Audit Plan

3.1 The Operational Internal Audit Plan is produced to take into account coverage of risks and associated controls in place. At the end of the year an audit opinion is given as to the overall adequacy and effectiveness of the Council's control environment, which encompasses internal control, risk management and governance. An important consideration is that the plan should include good coverage across Council services and systems.

3.2 A number of factors are taken into account in compiling the plan based on statutory obligations, the Council's corporate priorities and an assessment of risks. Factors such as materiality, business risks, inherent risks and time since the area was last reviewed are taken into account.

3.3 The 2019/20 Plan takes account of risks in relation to financial resilience with reviews covering financial systems and budgetary control (See 5.2). Other areas of strategic risk considered including reviews in relation to cyber security (See 5.7) and business continuity (See 5.4).

3.4 There is audit coverage across the Council's Corporate Directorates to reflect the Council's corporate priorities. For instance, a wide variety of service audits are included within the Plan (as referred to in Section 5.9) covering for instance services in relation to children, adults, environmental and other issues. The Corporate Directorates provide input to the plan through liaison with the Audit and Assurance Service throughout the year and through information provided such as through risk registers, action plans, self-assessments and control / governance issues raised.

3.5 The Audit and Assurance Service has a number of obligations to take into account in producing the plan. For instance, time is set aside for the Service to co-ordinate the update of the Council's Strategic Risk Register (See 5.4) and input to the review of the Council's Annual Governance Statement (5.3). A specific category of audit time is also included to reflect the requirement for internal audit checks of information supporting particular grant claims (See 5.10).

3.6 The risk of fraud and corruption is considered as part of planning a wide range of audits and also dedicated work in relation to fraud risks takes place, including co-ordinating, with other teams, the Council's work in relation to the National Fraud Initiative (See 5.5)

3.7 There is a programme of planned audits in place of the Council's maintained schools which includes providing assurance that schools are operating in accordance with the Schools Financial Value Standard (See 5.8).

3.8. Plans take into account other audit, assurance or development work being undertaken in particular areas. This includes work by the External Auditor and where applicable reviews by other external bodies. Where appropriate, account will also be taken of other internal reviews which may relate, for instance, to work in relation to Scrutiny or Transformation.

3.9 Plans include co-ordination with partners to provide assurance. This includes ongoing liaison with other Internal Audit sections as part of the STAR Shared Procurement Service to co-ordinate planned work (See 5.6). Where appropriate, Audit will liaise with other Internal Audit teams such as other Greater Manchester local authorities and Trafford CCG.

3.10 Time is allocated to follow up on control issues previously raised in 2018/19, including previous audit review work, to assess progress in implementing action plans, particularly where significant areas for improvement in controls have been identified. The plan highlights a number of follow up audits.

3.11 The amount of time available to undertake the annual plan is identified, and individual areas of work selected taking into account the above factors. A contingency is also held to allow for unforeseen circumstances (For instance, in 2018/19 this was used to offset a reduction in days available following a secondment).

3.12 For reporting and monitoring purposes the plan is divided into a number of categories. Whilst the plan is divided into these categories it should be noted that there are significant areas of overlap between them and assurance gathered from one source could apply to another.

3.13 There are a variety of activities undertaken to fulfil the plan and in addition to conducting internal audit reviews which result in the issuing of audit reports, work may also include providing input to project / working groups, providing guidance and advice, and providing input to council policies and procedures (See 5.11). The Service also facilitates the production of a number of corporate reports presented to the Accounts and Audit Committee.

3.14 The report does not include reference to all work to be undertaken during the year. As issues are raised or areas of risk are identified on an ongoing basis, other areas are included through the year and existing plans reviewed. For some areas, further elements of planning may take place during the year and therefore detailed plans are not available at the commencement of the year. Regular updates to CLT and the Accounts and Audit Committee will include reference to new work included in the work plan through the year. The plan is flexible and during the year adjustments may be made to accommodate any changes in the control environment and to consider emergent risks. Supporting the plan set out in this report are further plans detailing work allocated to individual staff.

3.15 Time is set aside for the completion of reviews which had been included as part of the 2018/19 Plan. Work completed or in progress in 2018/19 and work carried forward to 2019/20 will be reflected in the Annual Head of Internal Audit Report to be completed by May 2019.

3.16 Assumptions in respect of available audit days are considered to provide the total planned days. For 2019/20, there are 1075 available operational audit days. Total expected staffing resources to deliver the plan amounts to 6.55 full time equivalent (FTE) staff plus resources of 50 audit days purchased from Salford Internal Audit Services to undertake ICT audit work. (Whilst there are a total of 7 staff in the Audit and Assurance Service the FTE figure takes into account the assumption that one officer is on secondment to another team for the first quarter of 2019/20 and another officer is working part-time hours).

3.17 In addition to the 1075 planned days shown, it should be noted that further time is allocated for a number of other activities undertaken that are not reflected in the analysis as they are not attributable to one particular category of work but support the audit process. These include support to the Accounts and Audit Committee, liaison with the External Auditor (Mazars), development of audit systems, procedures and guidance, networking with other North West Internal Audit groups to share good practice, information gathering in support of the production of the audit plan etc. Separate additional time allocations are given to individual staff to undertake these activities.

4. Reporting / Performance Monitoring

4.1 Through the year, progress updates will be provided to CLT and the Accounts and Audit Committee (through periodic updates and the Annual Head of Internal Audit Report) which will refer to details of performance, impact of audit and progress against the plan. This will include details of:

- Actual chargeable audit days against planned days allocated.
- Number of audit opinion reports issued against that planned for the year (Target of 38 audit opinion reports to be issued in 2019/20 to final or draft stage, with any remaining opinion reports listed to be issued in the following year (See Appendix 2 for planned audit opinion reports to be issued)).
- The impact of audit recommendations made in terms of both initial acceptance and also implementation (the latter identified through follow up audit work).
- A summary of feedback from managers in respect of client surveys, which is detailed in the Annual Head of Internal Audit Report.

4.2 Where reviews or other key areas identified in the 2019/20 Plan are not undertaken as scheduled, this will be reported in subsequent updates including the 2019/20 Annual Head of Internal Audit Report.

4.3 Updates through the year will also include commentary on Audit resources available if there are issues that may impact on completion of the plan.

5. Internal Audit Plan Coverage 2019/20

5.1 The plan is compiled to ensure coverage across a wide and diverse range of services, systems and thematic areas of coverage. Each of the main categories of work is described in the paragraphs below.

In Appendix 1, there is a summary of the planned work and an estimated time is allocated to each category. This includes an estimate of time profiled by quarter.

In Appendix 2, there is a listing of audit opinion reports to be issued. This also indicates reviews where reports are expected to be issued in quarter one of 2019/20. There is also an explanation of the audit opinion levels.

5.2 **Fundamental Systems**

These are the core financial systems that provide key inputs for the production of the material balances in the Council's accounts. Previous assurance obtained in earlier audits will continue to be taken into account in planning the level of audit coverage within individual reviews.

Coverage will include review of the following systems during the year:

- Review completed on annual basis, covering the financial year 2018/19:
    - Treasury Management.

  In addition, any future planned audit work in respect of the Council's investment strategy in respect of property investments will also be considered during the year taking into account any new guidance expected to be issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- A number of other key financial systems audits which are subject to regular review and were not included in the previous 2018/19 Internal Audit Plan, are included for review in 2019/20.

    - Council tax
    - Business Rates
    - Housing Benefit/Council Tax reduction
    - Accounts Receivable/Debt Recovery.

- Reviews originally planned to commence by the end of 2018/19 which will be undertaken in the first half of 2019/20. (For some of these reviews, other related work is being undertaken in the latter part of 2018/19 prior to these reviews commencing):
    - Accounts Payable (An audit of systems and controls in relation to purchase cards is in progress and a wider review of Accounts Payable systems and controls will be undertaken in 2019/20).

- HR/Payroll system (An IT controls based audit review of the HR/ Payroll system is in progress and in 2019/20 a wider review will be undertaken with the scope to be agreed).
- Budgetary Control – An audit review of budgetary control processes, expected to cover a range of service areas including Children, Adults and Public Health.

- Audit reviews of systems in relation to Children's Services:
    - Direct Payments review to include follow-up of previous audit work and consideration of arrangements in relation to transitions from children's to adult social services.
    - Following work undertaken in 2018/19, a final audit report is expected to be issued by April 2019 in respect of the Children's Social care payments system, Liquid Logic / ContrOCC.

- Audit reviews of systems in relation to Adult Social Care:
    - Adult Social Care Liquid Logic / ContrOCC system – follow-up of recommendations made in audit completed in 2018/19 and consideration of other future audit coverage.
    - Adult Social Care Direct Payments – follow-up of recommendations made in audit completed in 2018/19.

Time will also be set aside for other issues and developments arising in respect of financial systems where further audit input or advice may be appropriate.

5.3 **Governance**

The approach for producing the Council's 2018/19 Annual Governance Statement was set out in a report to the Accounts and Audit Committee in February 2019. Legal and Democratic Services lead in collating the AGS and Audit and Assurance will continue to work with Legal and Democratic Services to provide support where required. Audit will complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance and feedback to Legal and Democratic Services on its findings.

In 2018/19, an audit review was completed in respect of processes for the declaration of gifts and hospitality by officers. A follow-up audit will be undertaken to review progress in implementing recommendations made.

Audit will also liaise with counterparts in other Greater Manchester (GM) Councils and will set time aside for any assurance required to be provided in relation to GM wide issues. This will include grant claim checks (See 5.10).

Time will be set aside in the plan to provide internal audit input to other governance issues across the Council, including issues within the Council and through partnerships. This may take the form of sharing guidance or providing comment / advice in respect of ongoing developments which may also inform future planned audit work. This may include developments in relation to integration with the CCG, and the Service will liaise with the CCG's internal auditors where appropriate.

5.4 **Risk Management**

Time is allocated to review existing risk management arrangements across the Council and ensuring processes are evidenced. This will include continuing to facilitate the ongoing update of the strategic risk register. This provides assurance in respect of the highest strategic risks faced by the Authority in terms of the management and ongoing monitoring of those risks - Risks such as in relation to national funding issues, the impact of Brexit and demand-led pressures being taken into account by management.

Audit will also identify existing risk registers at Directorate level and where applicable, in liaison with respective Corporate Directorates, consider any areas for development.

In terms of managing key risks associated with delivering service in the event of significant disruption, an audit review of Business Continuity arrangements across the Council was completed in 2018/19 and a follow-up audit will be completed in 2019/20 to assess progress in addressing recommendations made.

The Service maintains corporate risk management guidance, available on the Council's intranet, which where applicable will be further updated during the year.

5.5 **Anti-Fraud & Corruption**

Fraud and corruption risks are considered as part of audit planning for individual audit reviews and where appropriate recommendations are made to reduce the risk of fraud.

Specific cases of suspected internal fraud or theft referred to the Audit and Assurance Service will be subject to investigation during the year.

The Service will also continue to support the National Fraud Initiative (NFI) and will liaise with other services to ensure that data matches identified in 2018/19 are followed up in line with Cabinet Office requirements. Progress will be reported in future Audit and Assurance Service updates.

Audit and Assurance will continue to work with Legal and Democratic Services and other services as required to consider any further updates required to individual policies and guidance supporting the Anti-Fraud and Corruption Strategy.

5.6 **Procurement / Contracts / Value for Money**

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.

As part of internal audit planning in relation to the STAR Shared Procurement Service, Audit liaises with both STAR and the Internal Audit sections of the partner authorities (Stockport, Rochdale and Tameside Councils). Audit plans are agreed and relevant findings shared to ensure a co-ordinated audit process. At the time of this report, some planned review work had been agreed for 2019/20, with further areas to be confirmed during the year as part of ongoing discussions. To date, areas to be covered include:

- A review of Performance Management in STAR, including coverage of key performance indicators (Lead – Stockport Council).

- Further to the audit report issued in November 2018 in respect of compliance with the Contract Procedure Rules (CPRs), Audit will liaise with STAR in respect of progress regarding actions to address the recommendations made.

- Following the establishment by STAR of revised procedures for the processing of new vendor requests, an audit will be completed in relation to this process. (Lead – Rochdale Council).

- An audit, likely to be undertaken towards the end of 2019/20, covering Social Value in procurement (in accordance with the Public Services Social Value Act 2012), incorporating monitoring in place across contracts within the authorities. (Lead - Trafford Council).

Timing of the above reviews and consideration of further review work will be confirmed by the respective authorities in liaison with STAR and other relevant services during the year.

Originally planned to start towards the end of 2018/19 and now rescheduled to 2019/20, Audit and Assurance plan to undertake an audit review of processes in relation to the commissioning of children's external residential placements.

Further to completing the above, future planned audit work relating to commissioning in respect of Adult Services will also be considered during the year. Audit will liaise further with Adult Services and also relevant services including Commissioning to consider areas for future review.

Audit and Assurance will complete an audit to cover contract monitoring arrangements established by the Council with its One Trafford Partnership with Amey.

Time will also be set aside to cover any other areas of work, both in relation to STAR and other areas, carried over from 2018/19, which will be reflected in the 2018/19 Annual Head of Internal Audit Report.

5.7 Information Governance / Information, Communications and Technology (ICT)

This block of work covers both ICT auditing as well as the review of information governance processes across the Council.

The audit of ICT covers the review of procedures, processes and controls across a range of computer systems and technical solutions. Salford Internal Audit Services undertake a significant part of this work and also contribute to audit planning in respect of this area. The following work has been planned to date:

- As a key strategic risk, a review of cyber security based primarily on the National Institute of Standards and Technology (NIST) Cyber Security Framework.

- ICT Service Management review following, where applicable, the ITIL framework (a detailed set of practices for IT service management that focuses on aligning IT services with the needs of business).

- Follow up of previous audit review work completed in 2018/19 to assess progress in implementing recommendations which will include a follow up audit of the HR/Payroll iTrent system.

- A follow up of outstanding recommendations relating to previous audits of the IT Service Desk and Software Licensing to be completed by Trafford Audit and Assurance Service staff.

- Other time will be allocated to consider developments in the Council's digital strategy and further work allocated where applicable.

This block of work may also cover, in liaison with other services such as ICT, Human Resources and other services, investigating cases of misuse of the Council's ICT facilities, ensuring members and staff are aware of responsibilities such as in adhering to the council's Acceptable Use Policy.

There may also be further time allocated for advice and consideration of other work in respect of developments relating to organisational or system changes.

Audit work also encompasses wider information governance aspects:

- Audit will continue to contribute to the work of the Information Security Governance Board (ISGB) (Also See 5.11).

- An audit review was completed in 2018/19 in relation to the Council's processes for managing the risks of data breaches, taking into account the requirements of the General Data Protection Regulations (GPDR). A follow-up audit will be undertaken later in 2019/20.

- An audit review of procedures in relation to dealing with Subject Access Requests (SARs), ensuring the requirements of GDPR are being met.

- In liaison with the Information Governance team and other services as appropriate consider other areas of risk and consideration of further possible work. This may include issues arising from the Council's completion of the NHS Information Governance Toolkit. Consideration will also be given to practice in relation to data sharing agreements with other authorities.

5.8 Schools

As part of the Schools Financial Value Standard, schools are required to submit a declaration to show adherence to the Standard by 31 March each year. Information submitted is utilised by Audit and Assurance to assist in planning and undertaking school audits.

Based on a risk assessment, taking into account the information above and from previous work undertaken at each school and liaison with relevant services, it is planned that at least 14 school audits will be undertaken, which will include two follow-up audit reviews. Audit reports will be issued as part of each audit review. Follow up work includes further audit visits where a less than adequate audit opinion has been issued in the previous year.

In addition, Audit will continue to liaise with relevant services, including Finance, in relation to schools related issues including sharing findings and considering risk areas and future planned audit coverage.

5.9 Assurance – Other Business Risks

Time is allocated to reviewing risk areas derived from a number of sources not covered within other categories of the plan, including directors / senior managers' recommendations, risk registers and areas identified by the Audit and Assurance Service. Reviews may cover individual services, establishments, functions and authority wide issues and risks to ensure a broad coverage of audit work across the Council.

For service/establishment related reviews, risks reviewed may encompass a number of areas of control such as procedures and responsibilities, adherence to legislation, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), expenditure; income collection and recording, data quality, performance monitoring, information governance and other risks specific to the objectives of the service under review.

Audit reviews are included in the plan as follows (with the relevant Corporate Directorate(s) shown in brackets:

- Reviews included in the 2019/20 Internal Audit Plan:
  - Recruitment processes (People) - Considering the adequacy of current administrative processes through the various stages of recruitment.
  - Sale Waterside Arts Centre (Governance and Community Strategy) - Audit review to include coverage of controls in respect of income (box office procedures), expenditure and stock control.
  - Out of Borough Education Placements (Children's Services) - review of administrative processes for monitoring special educational needs placements outside of the borough taking into account new systems in place.
  - Home to School Transport (Children's Services) – review of processes including applications and monitoring of services provided.
  - Development Management (Planning Control) (Place) - including coverage of processes in relation to planning applications and decisions.
  - Tree Unit (Place) – review of processes in place for managing the inspection and maintenance of trees.

For the above reviews, Audit and Assurance will contact individual services to agree the detailed scope of the reviews prior to any work being undertaken.

- Follow up work in respect of previous audit work undertaken in 2018/19 will be completed. This will include the following audit review:

  - Aids and Adaptations (Adult Services).

- A number of other audit reviews completed in 2018/19 will be followed up. Further audits are not currently planned but managers will be asked to provide updates on progress made with previously agreed recommendations. These include the following where audits had previously been undertaken with reports issued in 2018/19:

  - Environmental Health (Place)
  - Pest Control (Place)

- Client Finances system (Finance and Systems/Adult Services)
- Registration Service (Governance and Community Strategy
- Old Trafford Library (Governance and Community Strategy)
- Trafford Town Hall Restaurant (People)

- In agreement with respective Directorates, some reviews have been rescheduled from commencing in 2018/19 to be included in the 2019/20 Plan. These are as follows:

    - Flixton House (People) - The audit was originally delayed due to refurbishment at Flixton House and it was agreed to be included in the 2019/20 Plan.
    - Music Service (People) - The audit was agreed to be rescheduled given the introduction of a new administration system in early 2019.
    - Planning Enforcement (Place) - It was agreed to reschedule this review to 2019/20 given recent staffing changes.

- There will also be time allocated for the commencement or completion of any other work expected to not be completed by the end of March 2019. This will be reflected in the 2018/19 Annual Head of Internal Audit Report. This will include the following list of audit reviews previously detailed in the 2018/19 Internal Audit Plan:

    - Licensing (Place)
    - Statutory Homelessness Services (Place)
    - Strategic Growth Team (Place)
    - Section 17 Payments (Children's Services)
    - Altrincham Library (Governance and Community Strategy)

Where applicable, time will also be set aside to work with relevant services to follow up further on other areas of risk previously raised and also there will be time set aside to review other potential risk areas as raised through 2019/20.

5.10 **Data Quality/Grant Claims**

A block of time is included in the plan for review of grant claims and other data quality checks made through the year where the internal audit function is required as part of the review/sign off process.

There will be a requirement for Audit input to sign off the 2018/19 grant claim in respect of the Disabled Facilities Grant by 31st October 2019 and submit to the Ministry of Housing, Communities and Local Government.

Similarly, there is a requirement for Audit input to sign off the 2018/19 Local Transport Capital Block Funding grant claim by 30 September 2019 and submit to the Department for Transport.

Time will also be allocated to continue to provide assurance in respect of the Council's Stronger Families programme. Work to be completed will be agreed in liaison with the Greater Manchester Combined Authority.

Audit will be notified of other grant claims and returns to be checked at various stages during the year and work actually completed will be reported in Audit updates through the year and the in the Annual Head of Internal Audit Report.

5.11 **Service Advice / Project support**

The Audit and Assurance Service provides advice across the Council on governance, control and risk issues. In addition to areas listed elsewhere in this report, time is set aside for the provision of ongoing service advice. This may take the form of responses to ad hoc queries, issuing guidance, and liaison with services. It may include, for instance, support and advice as part of project groups or liaison with services in respect of the development of new systems, processes and associated controls.

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. This will be updated where appropriate through the year.

Audit and Assurance will continue to contribute to the work of the Information Security Governance Board through the year.

Audit will also include time to work with the Trafford Leisure Community Interest Company (CIC) in respect of advice on its financial controls.

Account will always be taken of the primary objective of Internal Audit to complete assurance work and approval would be sought from CLT and the Accounts and Audit Committee before any significant unplanned consultancy work is agreed which would impact on the Internal Audit Plan.

2019/20 Operational Audit Plan – Allocation in Days **Appendix 1**

Category	Details	Impact of Audit and Assurance's work	Planned Days (Profiled by each quarter of year – Q1/Q2/Q3/Q4)
Fundamental Systems	**Coverage, includes audits of fundamental financial systems reviews as described in section 5.2:** **Advice in relation to consideration of new systems.** **Audit Opinion Reports to be issued as listed in Appendix 2.**	**Assurance on the operation of material business critical systems. Improvements in control environment supporting the achievement of corporate priorities, effective financial management, good governance and supporting the Council's position in respect of its external audit review.**	**180** (35/65/40/40)
Governance	**Coverage as described in section 5.3:** **Corporate Governance / AGS - to provide support and advice to Legal and Democratic Services. Complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance.** **Gifts and hospitality follow-up audit review.** **Advice / assurance in respect of governance issues.**	**Provision of assurance on the effectiveness of governance arrangements in place within the Council to support the achievement of Council and Community objectives and priorities.** **The Annual Governance Statement provides assurance to the public on the effectiveness of governance arrangements and enables the establishment of corporate improvement priorities.**	**25** (8/7/5/5)
Corporate Risk Management	**Coverage as described in section 5.4. Includes:** **Facilitating the updating of the Council's**	**Assisting the Council to effectively manage risks leading to improvements in service delivery, achievement of objectives and improvements in the allocation of resources. The work also supports the**	**30** (5/7/7/11)

Page 61

	strategic risk register. **Actions to support the Council's Risk Management Strategy including provision of guidance, independent review of existing risk management arrangements and, where applicable, recommend areas for development.** **Follow-up audit of business continuity management arrangements.**	**Council in evidencing good practice undertaken when subject to inspection and review.**	
Anti-Fraud & Corruption	**Coverage as described in section 5.5:** **Co-ordinate the Council's activity in respect of the National Fraud Initiative ensuring work completed across services in investigating data matches is progressed in accordance with Cabinet Office requirements.** **Contributing to Investigations of referred cases of suspected theft, fraud or corruption.** **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.**	**Contributes to the maintenance of high standards of conduct and governance. Provides assurance on the management of the risks of fraud and corruption. Advice to services on the improvement of controls in place to reduce potential risks, e.g. financial loss and reputational damage.**	**80** (20/20/20/20)
Procurement / Contracts / Value for money	**Coverage as described in section 5.6:** **Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors).**	**Assurance and challenge on the adequacy of procurement arrangements. Contributes to improvements in service delivery and the achievement of value for money for the Council.**	**80** (10/15/15/40)

	Audit Opinion Reports to be issued as listed in Appendix 2.		
Information Governance / Information, Communications and Technology	**Coverage as described in section 5.7:** **ICT Audit reviews and advice conducted by Salford Internal Audit Services.** **ICT related investigations where applicable.** **Information Governance audit reviews** **Audit Opinion Reports to be issued as listed in Appendix 2.**	**Specialised technical advice and assurance on the adequacy of controls surrounding ICT systems. Assurance to managers who place significant reliance on ICT systems for the delivery of services. Contribution to the review and further development of the Council's information governance arrangements.**	**90** (20/25/15/30)
Schools	**Coverage as described in section 5.8:** **Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.** **Audit reviews of schools – at least 14 school audit visits to be undertaken during the year.** **Planned audits to date are listed in Appendix 2.**	**Supports improvements in standards of governance and control in schools and supports process to enable achievement of standards set by the DfE.**	**180** (62/24/63/31)
Assurance – Other Business Risks	**Coverage as described in section 5.9:** **Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes:**	**This work enables Internal Audit to provide a breadth of assurance across the Council that there are adequate governance and control arrangements in place, that policies and procedures are being implemented, that risks are being managed, and outcomes delivered.**	**235** (28/50/57/100)

Page 64

	- Audit reviews **- Follow up reviews including further audits and gaining assurance from service updates.** **Audit Opinion Reports to be issued as listed in Appendix 2.**		
Grant claims checks / Data Quality	**Coverage as described in section 5.10:** **Internal audit checks of grant claims / statutory returns and other data quality checks as required:** **Audit and Assurance to be advised through the year of grant claims, review work and other returns to be checked/signed off.**	**Ensuring the Council adheres to requirements in submitting relevant grant claims where Internal Audit input is required, providing assurance regarding the accuracy of data and supporting information reviewed.**	**30** (5/10/10/5)
Service Advice / Projects	**Coverage as described in section 5.11:** **General advice and guidance, both corporately and across individual service areas.** **Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues. To Include:** **- contributing to work of the Information Security Governance Board;**	**Support to services, groups, project teams etc. around the relevance and application of corporate policies, procedure rules and good governance arrangements.** **Contributing to the delivery of effective project outcomes including input to the consideration of key risks and appropriate controls considered in the development of new systems, functions and procedures.**	**70** (17/17/18/18)
		Total Allocated Days	**1000** (210/240/250/300)
		Contingency (To cover additional / unexpected work and any unexpected reductions in available staff days).	**75**
		Total Planned Days	**1075**
		Available Days	**1075**
		Surplus/Deficit for Year	**0**

2019/20 Internal Audit Plan – Audit Opinion Reports

Category	Audit Opinion Reports
Fundamental Systems	- Liquid Logic/ContrOCC – Children's Social Care Payments System (Children's Services)* - Accounts Payable (Finance and Systems) - Treasury Management (Finance and Systems) - Council Tax (Finance and Systems) - Business Rates (Finance and Systems) - Housing Benefits / Council Tax Reduction (Finance and Systems) - Accounts Receivable / Debt Recovery (Finance and Systems) - Budgetary Control (Finance and Systems/Authority-wide) - Payroll (People) - Direct Payments (Adult Services) - Liquid Logic/ContrOCC – Adult Social Care Payments System (Adult Services) - Direct Payments (Children's Services)
Governance	- Gifts and hospitality follow-up audit review (Governance and Community Strategy/Authority-wide)
Risk Management	- Business Continuity Management follow-up audit (Authority-wide)
Procurement / Contracts / Value for money	- STAR Performance management (STAR Authorities – Stockport lead) (Finance and Systems) - Social Value in Procurement (STAR authorities – Trafford lead) (Finance and Systems) - New vendor requests (STAR Authorities – Rochdale lead) (Finance and Systems) - One Trafford Partnership – contract monitoring (Place) - Commissioning of children's external residential placements (Children's Services) (Any further planned work re procurement / commissioning to be determined during the year.)
Information Governance / ICT Audit	- Cyber Security (Finance and Systems) - HR/Payroll IT system follow-up audit (People / Finance and Systems) - IT Service Management (Finance and Systems) - IT Service desk follow-up (Finance and Systems) - Software Licensing - follow up (Finance and Systems)

	- Subject Access Requests (Governance and Community Strategy / Authority-Wide) - Data breaches follow-up audit (Governance and Community Strategy/Authority-Wide)
Schools	14 Opinion Reports to be issued. The full list of school audit reports to be issued will be confirmed through 2019/20 and listed in updates through the year. To include reports to be issued for the following schools: - Delamere School (visit booked March 2019)* - English Martyrs' RC Primary School (2018/19 follow-up audit visit rescheduled - visit booked April 2019)* - Stretford High School (visit booked April 2019)* - St. Matthew's CE Primary School (visit booked June 2019) - The Firs Primary School (follow-up audit) - 9 other schools audit reports to be issued in 2019/20.
Assurance – Other Business Risks	- Licensing (Place) * - Statutory Homelessness Services (Place) * - Section 17 Payments (Children's Services) * - Planning Enforcement (Place) - Development Management (Planning Control) (Place) - Strategic Growth Team (Place) - Tree Unit (Place) - Altrincham Library (Governance and Community Strategy) - Sale Waterside Arts Centre (Governance and Community Strategy) - Flixton House (People) - Music Service (People) - Recruitment Processes (People) - Out of Borough Education Placements (Children's Services) - Home to School Transport (Children's Services) - Aids and Adaptations (Adult Services)
Data Quality	- Stronger Families Programme (Children's Services)

*Denotes reviews where audit reports are expected to be issued in Quarter One of 2019/20, which includes some reviews carried forward from 2018/19. Planned completion of work in the remainder of the year to be advised in subsequent Audit and Assurance update reports.

Note:

A target number of 38 of the above reports is planned to be issued during 2019/20 with remaining reports for reviews to have commenced in 2019/20 to be issued in the following year – target excludes reports issued by other STAR partners).

In addition, there may be other audit opinion reports issued in addition to the above which may relate to audit coverage described in Section 5 of this report or relating to other issues arising during the year.

Audit Opinion Levels

For the above reviews listed, an audit report will be issued and an audit opinion will be provided. Opinion levels are set as follows:

Audit Opinion Level	Description
High	Very good standard of control. All high risk areas are adequately controlled.
Medium/High	Good standard of control. A small number of high risk areas require control improvements.
Medium	Adequate standards of control. Control improvements are required for a number of high risk areas.
Low/Medium	Marginal standard of control. Some business risks are controlled effectively. Control improvements are required for a significant number of high risk areas.
Low	Unsatisfactory standard of control. Controls in place to address business risks are not adequate.

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TRAFFORD COUNCIL

Report to: **Executive**
Date: **18 March 2019**
Report for: **Information**
Report of: **The Executive Member for Finance and the Corporate Director of Finance and Systems**

Report Title:

Budget Monitoring 2018/19 – Period 10 (April 2018 to January 2019).

Summary:

The purpose of this report is to inform Members of the current 2018/19 forecast outturn figures relating to both Revenue and Capital budgets. It also summarises the latest forecast position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that:

a) the Executive note the report and the changes to the Capital Programme as detailed in paragraph 21.

Contact person for access to background papers and further information:

David Muggeridge, Finance Manager, Financial Accounting Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Revenue and Capital expenditure to be contained within available resources in 2018/19.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget agreed at the 21 February 2018 Council meeting is £164.25m. In determining the budget an overall gap of £22.945m was addressed by a combination of additional resources of £12.972m, including projected growth in business rates, council tax and use of general reserve and £9.973m of service savings and additional income.

2. Based on the budget monitoring for the 10 months to January 2019, the year-end forecast outturn is £1.25m below budget, a favourable movement of £1.22m since the last monitoring report, due mainly to the release of contingency items and the impact of de-escalation of costs within the Children's Services (£0.8m) and net income generated from the Investment Strategy (£0.3m) as detailed in Table 2 below.

3. Detailed below in Table 1 is a summary breakdown of the service and funding variances against budget, with Table 2 providing an explanation of the variances:

Table 1: Budget Monitoring results by Service	**2018/19 * Revised Budget (£000's)**	**Forecast Outturn (£000's)**	**Forecast Variance (£000's)**	**Percent-age**
Children's Services	32,336	33,245	909	2.81%
Adult Services	47,977	48,638	661	1.38%
Public Health	12,227	12,463	236	1.93%
Place	23,844	22,853	(991)	(4.16)%
People	2,742	2,832	90	3.28%
Finance & Systems	7,000	6,812	(188)	(2.69)%
Governance & Community Strategy	7,426	7,507	81	1.09%
Total Directorate Budgets	**133,553**	**134,350**	**798**	**0.6%**
Council-wide budgets	30,694	29,453	(1,241)	(4.04)%
Net Service Expenditure variance	**164,246**	**163,803**	**(443)**	**(0.27)%**
Funding				
Business Rates (see para. 12)	(67,619)	(68,428)	(809)	(1.2)%
Council Tax (see para. 9)	(94,497)	(94,497)	-	
Reserves	(1,630)	(1,630)	-	
Collection Fund surplus	(500)	(500)	-	
Funding variance	**(164,246)**	**(165,055)**	**(809)**	**(0.5)%**
Net Revenue Outturn variance	**0**	**(1,252)**	**(1,252)**	
Dedicated Schools Grant	**128,624**	**127,956**	**(668)**	**(0.52)%**

* A number of minor budget virements have been made, under delegated powers, since the Period 8 Budget Monitoring Report.

Main variances, changes to budget assumptions and key risks

4. The main variances contributing to the projected in-year budget saving of £1.252m, any changes to budget assumptions and associated key risks are highlighted below:

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	909	**Outturn variance £909k adverse, a £836k favourable movement since P8:** ➢ £1.012m above budget in Children's placements Budget (Note 1); ➢ £412k additional Home to School Transport costs (Note 2); ➢ £515k projected underspend relating to staff cost savings, additional grant income and running cost savings, partly offset by an underachievement of other income (Note 3). **<u>Note 1</u>** The projected outturn position is a gross overspend of £1.267m, this is partially offset by a one off underspend of £255k on the Regional Adoption Agency. Since the last monitoring report at the end of November 2018 the service has been able to release significant levels of contingency; £417k has been released as a result of the services ability to prevent Children from entering into high cost placements. The remaining contingency for the final two months of the financial year is £51k. The service has also reduced the overspend by successfully facilitating the return home of Children previously in high cost residential placements through Social care intervention. As at 31 January 2019 £1.428m of savings has been achieved via the planned de-escalation of Children's placements, against a target of £900k. The number of children in care as at the end of January 2019 was 406, a decrease of 1 from that last reported at the end of November 2018. A detailed narrative was included as an appendix to the period 6 report providing further detail on the pressures and initiatives in development in relation to the placements budget.

		<u>Note 2</u> The Home to School Transport (Trafford Travel Co-ordination Unit) service continues to experience high demand. Current forecasts show that the service will be £412k overspent on transport runs at the year end. Although savings have been made on the staffing budget there are a number of new and expanded "runs" which have resulted in higher contractor costs for commissioned transport. The Service continues to promote independent travel training for young people and car mileage payments to parents as a package of flexible travel assistance solutions for families; this helps reduce demand for transport. **<u>Note 3</u>** The £515k underspend is in relation to staff cost savings (£268k), additional grant income (£93k) and savings in running costs (£154k).
Adult Services	661	**Outturn variance £661k adverse, a £164k adverse movement since P8:** ➢ £820k adverse variance in the Adults Client Budget (Note 1); ➢ £159k reduction in costs due to vacancies and one off savings (Note 2); **<u>Note 1</u>** The main area of volatility is in the adult client budget as a result of an overspend of £820k due to increasing costs of care packages. The market continues to be complex and there is a significant challenge for the service to procure care at the council framework prices. As at the end of January 2019 the Council is forecasting to spend around £2.603m on care exceeding framework prices. The cost projection has increased by £114k due to the additional costs above framework price for long term care packages until the end of the financial year. The previous monitoring report included reference to an additional expected pressure of £200k due to the expected need for additional Discharge to Assess beds, this has not materialised as the presenting needs have been seen to require long term placements Therefore winter pressure funding set aside for placements was inadequate and has been supplemented by the reduced use of the D2A options. Within the budget there is a savings target of

		£2.620m. The current forecast reflects a projected over achievement of savings by £207k, mainly due to the Stabilise and Make Safe programme as detailed in Appendix 1. Within the current forecast there is a contingency of £0.1m. **What is the service doing to prevent an escalation in costs?** • Commissioners continue to increase the capacity of Homecare available to the council, and have brought additional SAMS providers on board; this will ensure that some clients can increase/retain their independence in their own home therefore reducing demand for residential/nursing placements. • The service are exploring alternative contracting arrangements particularly in the form of block contracting in order to achieve value for money and to provide security for both the Council and providers. • Commissioning are actively reviewing the payments the Council are making over and above framework prices, where possible alternative providers will be sourced to reduce the pressure on the budget. However it is important to note that quality will not be compromised. Increases in the use of technology are being promoted and further developments will continue in this area to attempt to decrease the need for human intervention and to promote independence. **<u>Note 2</u>** The outturn position includes an underspend on staffing due to vacancies of £262k, this is partially offset by an overspend on costs relating to ongoing repairs and maintenance of lifts and minor adaptations to client properties of £103k.
Public Health	236	**Outturn variance £236k adverse, a £93k favourable movement since P8:** **<u>Community Services Contract</u>** The Council and Trafford CCG are parties in the above contract with Pennine Care NHS Foundation Trust. The contract is expected to overspend by around £1.8m in this financial year; a risk share agreement has been agreed that will see the Council

		responsible for around 40% of any overspend at the end of the financial year, this equates to around £700k. The service has estimated that expenditure can be reduced in other areas of the Public Health budget by £464k to mitigate the pressure in this financial year, the remaining projected overspend is therefore £236k, the service continues to work to decrease the deficit further before the end of the financial year.
Place	(991)	**Outturn variance £991k favourable, a £91k adverse movement since P8** ➢ staff underspend from vacancies of £498k, which is £304k in excess of the savings target and equates to approximately 9.3% of the overall staffing budget. This is a favourable movement since period 8 of £26k and reflects the continuing effort to fill vacant posts and that a number of services are in the process of restructuring; ➢ net surplus income from property rents, car park income and other fees of £193k, a favourable movement of £27k since period 8; ➢ partly offset by a net budget pressure in running costs of £455k across all services, an increase of £156k since period 8. Including: • £123k from waste management disposal costs relating to an increase in trade waste; • £138k relating to a one-off increase in the GM Waste Disposal Levy for 2018/19 as previously reported; • a permanent increase in business rates of £92k relating to a number of Car Parks, offset by one-off business rate refunds (net of fees) of £196k; • other one-off costs of £298k across a number of services. ➢ one-off business rate refunds (net of fees) relating to Sale Waterside and Trafford Town Hall of £949k, £12k higher than previously notified. ➢ Note - Planning income (net of costs) is £216k above target and is ring fenced for re-investment in the service in line with government regulations resulting in a neutral

		impact on the final outturn. **Period movement £91k adverse:** ➢ increase in running costs of £156k relating mainly to highways and tree maintenance, £75k and property utility costs, £46k; ➢ increased underspend on staff costs £26k; ➢ additional net income of £27k. This includes reduced forecast income from Stretford Arndale rent, £64k, road access permits, £50k and outdoor media advertising, £20k. These have been offset by increased income from parking fines, £67k, Regent Road and Oakfield Road car parks remaining open longer than expected prior to development works, £41k, other parking income, £30k; ➢ other minor net favourable movements £12k.
People	90	**Outturn variance £90k adverse, a £75k favourable movement since P8:** ➢ there are one-off staffing costs mainly associated with the changes to the Council's Executive Management structure of £126k; ➢ additional income mainly from traded services of £74k have been partly offset by running costs above budget by £38k, mainly due to additional trading losses at Flixton House during redevelopment;. ➢ the favourable movement of £75k since the period 8 report relates to additional net staff savings, mainly in HR and Bereavement Services of £22k, running costs, £33k and income, £20k across a number of services.
Finance & Systems	(188)	**Outturn variance £188k favourable, a £139k favourable movement since P8:** ➢ net staff underspends from vacancies of £98k, achieved from natural staff turnover across the Directorate, and a net underspend on running costs and income of £90k; ➢ the favourable movement of £139k since the period 8 report relates to staffing, £93k, and running costs and income, £46k; ➢ the main areas of vacancy underspending are Exchequer services, where staff turnover is traditionally high, and ICT which reflects the current difficulties in recruiting to this service.

Governance & Community Strategy	81	**Outturn variance £81k adverse, a £68k favourable movement:** ➢ net staff underspend from vacancies are £141k, and has been achieved from natural staff turnover across the Directorate; ➢ net running costs above budget of £19k, including demand led legal costs of £27k; ➢ a shortfall of £255k, relating to projected income at Sale Waterside Arts Centre; ➢ surplus income of £52k, including additional SLA income in Legal Services; ➢ the favourable movement of £68k since the period 8 report relates mainly to additional staff savings in Legal & Democratic Services, £51k and Access Trafford, £20k.
Council-wide budgets	(1,241)	**Outturn variance £1.241m favourable, a £268k favourable movement since P8:** ➢ The overall variance is a result of a mix of savings on corporate budgets including Treasury Management, additional income from our Investment Strategy and the release of a number of Council Wide contingencies and provisions; details of which were provided in the Period 8 monitor. ➢ The movement between Period 8 and Period 10 is explained in full by additional net income generated from the Investment Strategy. ➢ In addition, the Government recently announced additional grant resource in 2018/19 and 2019/20 to cover costs which may arise following Brexit. Unitary councils are expected to receive £210k over the two years. The exact details of the grant are yet to be determined so in the meantime these funds will be transferred to an earmarked reserve, resulting in a neutral impact on the 2018/19 outturn postion.
Funding	(809)	See paragraph 13 below.
Dedicated Schools Grant	(668)	**High Needs Block:** The projected budget pressure within the High Needs block previously reported has increased by £86k to £537k (net of additional in-year grant) since period 8 due to an increase in out of borough placements. This has been more than offset by the Schools, Central and Early Years Blocks underspend of £1.205m an increase of £156k due mainly to the

		finalising of Growth Fund allocations. This projected underspend will be transferred to DSG reserve and used to cover pressures in the high needs budget in later years (as previously reported). Any surplus or deficit will be transferred to the DSG Reserve at year-end.

MTFP Savings and increased income

5. The 2018/19 budget is based on the achievement of permanent base budget savings and increased income of £9.97m (see para. 1 above). At this stage the latest forecast indicates that total savings of £10.55m will be achieved, which is £0.57m above target and this has been included in the monitoring position above.

Table 3 – Transformation & Business as Usual Projects	**Savings Target £**	**Savings Forecast to be Achieved £**	**Surplus \ (shortfall) £**
Original Target Agreed at Budget Council February 2018	**9,973,000**	10,548,119	**575,119**
Add savings in 2018/19 brought forward from the 2017/18 programme:-	10,000	0	**(10,000)**
Adjusted Target	**9,983,000**	**10,548,119**	**565,119**
Of which:-			
Transformation Projects	3,746,000	4,481,119	735,119
Business As Usual	6,237,000	6,067,000	(170,000)

Those projects currently in exception are listed in Appendix 1.

RESERVES

6. The Council's usable reserves at 31st March 2018 stood at £75.02m, of which £43.23m relates to Earmarked revenue reserves which were detailed in the period 6 report. A full review of all commitments on these reserves was undertaken as part of the current 2019/20 budget process.

7. The remaining reserves consist of the General Reserve at £6.00m, which is the approved minimum level agreed by Council in February 2018, Capital Related Reserves which are fully committed to meet the costs of the Capital Programme to 2021/22 and Schools Related Reserves which are balances belonging to individual schools and are just held by the Council on their behalf.

8. As part of the current monitoring position it is proposed to transfer the following amounts to earmarked reserves in year:-

- Brexit Preparation Grant Reserve estimated £105k in 2018/19;

COLLECTION FUND

Council Tax

9. The 2018/19 surplus on the Council Tax element of the Collection Fund is shared between the Council (84%), the Police & Crime Commissioner for GM (12%) and GM Fire & Rescue Authority (4%). The total surplus brought forward as at 1 April 2018 was £2.18m of which the Council's share was £1.82m.

10. As at January 2019 the end of year surplus balance is forecasted to be £1.68m, after the application of £0.59m of brought forward surplus and addition of an in-year surplus of £0.20m and £0.11m of backdated valuations. The Council's share of this is £1.60m, and is planned to support future budgets in the MTFP.

11. Council Tax collection rate as at 31st January 2019 was 95.35%, which is ahead of the target of 94.78%.

Business Rates

12. The 2018/19 budget included anticipated growth in retained business rates and related S31 grants of £9.89m. It is still anticipated that the overall budget will be achieved in year, however as reported in Period 8 there remains significant volatility in the rating system as a result of significant building demolitions, refurbishments and appeals relating to major infrastructure projects.

13. As reported in Period 8, in addition to the core rates budget, a one off receipt of £3.31m is due from Greater Manchester Combined Authority which represents Trafford's share of unutilised monies from the 2017/18 Business Rates Growth Pilot contributions. A figure of £2.5m will be transferred to the Business Rates Growth Pilot Reserve to smooth any volatility in future year's business rates, as those being experienced in the current year. This has left a net surplus of £0.81m which can be used to partially offset the in-year forecast budget pressures.

14. Business Rates collection rate as at 31st January 2019 was 91.44% compared to a targeted collection rate of 90.70%.

Transformation Fund

15. The Trafford locality was awarded £22m in October 2017 from the Greater Manchester (GM) £450m Transformation Fund delegated to Greater Manchester Heath & Social Care Partnership (GMHSCP) by NHS England.

16. Over the four years of the fund this allocation is to be supplemented by match funding from the Council and the CCG (£10.6m) and associated benefits (£19.4m) to give a total budget of £52m to be used on transforming health and social care services over a four year period from October 2017. The cumulative

benefits over the period were expected to be £72m with annual ongoing net benefits by 2020/21 of £15m a year as set out in the table below.

Establishment	Expenditure Over the 4 Years £m	Funding of Expenditure GMHSCP £m	Match funding £m	Benefits £m	Total £m	Annual Recurrent Benefits by 20/21 £m	Annual Recurrent Net Costs by 20/21 £m	Net Recurrent Benefits by 20/21 £m
Council	15.9	6.2	6.0	3.7	15.9	7.7	3.3	4.4
CCG	34.4	14.1	4.6	15.7	34.4	18.0	7.4	10.6
Joint	1.7	1.7			1.7			
Total	52.0	22.0	10.6	19.4	52.0	25.7	10.7	15.0

17. The table below sets out the projected overall position by the 31st March 2019 for each organisation and Appendix 2 provides the detail by scheme. By this date it was originally expected that £23.28m would have been spent on a range of initiatives but due to a number of factors expenditure will be significantly lower at £13.15m.

	Expenditure			Funded by			Overall Benefit		
Organisation	**Budget £'000**	**Forecast £'000**	**Variance £,000**	**GMHSCP £'000**	**Match Funding £'000**	**Total £'000**	**Target £'000**	**Forecast £'000**	**Variance £'000**
Council	7,826	5,533	(2,293)	2,474	3,059	5,533	8,649	8,651	2
CCG	14,234	7,089	(7,145)	5,089	2,000	7,089	10,284	2,796	(7,488)
Joint	1,221	531	(690)	531	0	531	0	0	0
Total	**23,281**	**13,153**	**(10,128)**	**8,094**	**5,059**	**13,153**	**18,933**	**11,447**	**(7,486)**

18. The reasons for this are mainly as a result of delays in the implementation of some schemes whilst options or requirements are fully scoped out (eg homecare), or evaluated to consider roll out on a wider scale. There has also been a cessation in other schemes (eg provider development work stream) which have been reviewed and approval is being sought for the repurposing of these monies.

19. The cumulative benefits to be realised from these schemes was £18.93m. However due to delays mentioned above and some schemes not achieving their anticipated benefits the forecast is £11.45m; an underachievement of £7.49m. The Council is on target to deliver its share of overall benefits in line budget assumptions, with the underachievement being attached to CCG schemes. It is still anticipated that over the period measures will be implemented to achieve the targeted level of recurrent net savings across both organisations.

CAPITAL PROGRAMME

20. The value of the indicative 2018/19 Capital Programme set in February 2018 was £59.42m and included £5.00m for the Capital Investment Programme phased to 2018/19 (see paragraph 25). Taking into account additional government grant awarded in the autumn budget and other minor changes the budget has moved from £340.26m reported in P8 to its currently estimate of £340.92m.

21. Recent changes to the budget since the last monitoring report are detailed below and are summarised as follows:

Table 6 - Capital Investment Programme 2018/19	**P8 Position £m**	**Changes £m**	**Current Programme £m**
Service Analysis:			
Children's Services	13.30	0.66	13.96
Adult Social Care	2.59	-	2.59
Place	64.16	-	64.16
Governance & Community Strategy	1.97	-	1.97
Finance & Systems	1.93	-	1.93
General Programme Total	**83.95**	**0.66**	**84.61**
Capital Investment Fund	256.31	-	256.31
Total Programme	**340.26**	**0.66**	**340.92**

22. **Amendments to General Capital Programme**

- **New schemes and increases to existing budgets - £0.66m**
  - Schools – Devolved Formula Capital Grant: £660k – An additional £400m was made available nationally by the Department for Education in December 2018. The allocation to LEA schools within Trafford amounts to £660k. The usual terms and conditions of the grant still apply, with schools having to spend the allocation within a 3 year period.

23. Resourcing of the capital investment programme is made up of both internal and external funding. Details of this are shown in the table below.

Table 7 - Capital Investment Resources 2018/19	P8 Position £m	Changes £m	Current Programme £m
External:			
Grants	18.19	0.66	18.85
Contributions	8.92	-	8.92
Sub-total	**27.11**	**0.66**	**27.77**
Internal:			
Receipts	14.29	-	14.29
Borrowing	29.50	-	29.50
Reserves & revenue contributions	13.05	-	13.05
Sub-total	**56.84**	**-**	**56.84**
Total Resourcing	**83.95**	**0.66**	**84.61**

Status and progress of projects

24. On average outturn performance over the last 4 years has been £32.09m and appears to highlight that delivery of the current Capital Programme is quite ambitious. This section aims to give certainty about delivery and the level of outturn performance that can be expected.

25. As part of the monitoring process a record of the “milestones” reached by each project is kept to show the progress of the scheme from inclusion in the Programme through to completion. The table below shows the value of the programme across the milestone categories.

Table 8 - Status on 2018/19 Projects	Current Budget £m	Percentage of Budget
Already complete	34.01	40%
Underway	42.12	50%
Programmed to start later in year	5.29	6%
Not yet programmed	3.18	4%
Total	**84.61**	**100%**

26. The first three categories give a good indication as to the level of confirmed expenditure to be incurred during the year. As can be seen £80.87m (96%) of the budget has now been committed or is programmed to start in the year.

27. Schemes with a value of £3.18m are classed as “Not yet programmed” and relate to budgets where specific projects have not yet been agreed or budgets that have yet to have a start date, these include:

- School Expansion Programme - £1.12m: An unallocated balance remains following the approval by the Executive of the 2018/19 schools capital investment works. This will be the subject of a separate report to the Executive for inclusion in the 2019/20 programme.

- Devolved Formula Capital - £660k : Recently received award from the Deptarment for Education will not be able to be utilised in 2018/19.The terms and conditions of the award allow for the grant to be applied over a 3 year period.
- City Cycle Ambition Grant Programme - £424k: Negotiations are still ongoing with TfGM to finalise the works to be undertaken.
- 9/11 Market Street, Altrincham Redevelopment - £239k: The proposed development of these commercial properties has been delayed due to the short term occupation by the developers of the new Health and Well Being Centre. The works are expected to be undertaken in 2019/20.
- Timperley Sports Club : Pitch contribution - £350k : The council agreed to make a contribution to the replacement of the artificial pitch for use by local schools. This contribution was expected to fall due in 2018/19, however the club are looking into a larger scale development opportunities and as a result it is not expected that the Coucnil contribution will be required until after this financial year.

28. There are a number of schemes which, whilst they have started or are still due to start in year, are not now expected to complete until 2019/20. As a result the outturn projection is now estimated to be £58.36m in 2018/19. The table below provides a summary with scheme details shown in the following paragraph.

Table 9 – 2018/19 Outturn Projection	**£m**
Current General Programme	**84.61**
Actual spend to date	35.62
Expected spend for P11-P12	22.74
Outturn Projection	**58.36**
Variance to current budget	**(26.25)**
Major Areas which require re-phasing to 2019/20	
- Leisure Strategy - "Increasing Physical Activity"	18.76
- Schools related projects	3.78
- Altair Development, Altrincham	1.14
- ICT – Windows 10 Implementation & rollout	0.75
- City Cycle Ambition Grant	0.55
- CCTV Transformation Propgramme – Phase 2	0.52
- Timperley Sports Club- Artificial pitch contribution	0.35
- 9/11 Market Street, Altrincham	0.24
- Miscellaneous Building Repairs	0.16
Total re-phasing requirement	**26.25**

29. **Land Sales Programme - Capital Receipts**

In order to fund the current Capital Investment Programme there is a requirement for £14.29m of capital receipts (see Table 7). Current projections indicate that in the region of £3.75m will be generated from disposals of surplus assets during the year together with unutilised balances from previous years of £6.52m, giving £10.27m available to support capital expenditure in year. This shortfall of £4.02m would give rise to temporary borrowing costs, unless projects which are planned to be financed from capital receipts are rephased back to 2019/20.

At this stage in the year it is now known that a number of projects, that were to be funded by capital receipts, are to be re-profiled to later years (see Para 25) meaning that there is unlikely to be a requirement for temporary borrowing in 2018/19.

CAPITAL INVESTMENT PROGRAMME

30. The Council's Investment Strategy was approved by the Executive in July 2017 when approval was given to increase the Capital Investment Fund to £300m, supported by prudential borrowing, to support the approach. The original budget for 2018/19 was £5.00m, however re-phasing from 2017/18 of £250.23m has resulted in a budget of £255.23m.

31. To date ten transactions have been agreed by the Investment Management Board at a total capital cost of £176.08m. This investment will provide a net benefit to support the revenue budget in 2018/19 and later years.

Table 10: Capital Investment Strategy	2017/18 £m	2018/19 £m	Total £m
Total Investment Fund			***300.00***
Activity to date :			
Projected Cost			
K Site, Talbot Rd, Stretford	1.24	23.62	24.86
Acquisitions :			
Sonova House, Warrington	12.17		12.17
DSG, Preston	17.39		17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84		10.84
Trafford Magistrates Court, Sale		4.30	4.30
Walthew House Lane, Wigan		13.75	13.75
Sainsbury's, Altrincham		25.76	25.76
Loan Advances:			
No.1, Old Trafford : Debt financing for residential development	3.13	(3.13)	0.00
The Crescent, Salford : Debt financing for residential development		60.80	60.80
Development Sites :			
Brown Street, Hale		6.21	6.21
Total investments	**44.77**	**131.31**	**176.08**
Balance available			**123.92**

Issues / Risks

32. The main risk in the area of the capital programme is the timely delivery of the programme and this situation will continue to be closely monitored and any issues will be reported as and when they arise.

Recommendations

33. That the Executive note the report and the changes to the Capital Programme as detailed in paragraph 21.

Other Options

Not Applicable

Consultation

Not Applicable

Reasons for Recommendation

Not Applicable

Finance Officer Clearance **GB**
Legal Officer Clearance **DS**

CORPORATE DIRECTOR'S SIGNATURE ....

Transformation & Business as Usual Projects in exception	Total savings to be achieved 2018/19 £	Total Forecast to be achieved 2018/19 £	Variance £	Reason for variance
Continuation Children's Programme	900,000	1,428,044	528,044	The service continues to exceed expectations and is achieving further savings, most notably from high cost external residential placements ceasing.
Reshaping Continuation Adults Programme	1,479,000	1,257,150	(221,850)	Predicted underachievement due to the reshaping programme being in it's fifth year of operation. Many care packages are at the optimum level. There has been significant savings made in the last few months from CHC.
Single Handed Care	141,000	10,000	(131,000)	The project commenced in January 2019 after lengthy delays. Savings are not currently achievable due to the complexities of the agreed process with internal and external providers. Planned workshop in March 2019 will look at this to see if further savings can be achieved.
Stabilise and Make Safe (SAMS) 2018/19 - moving from 11 - 14 average completions p/w	200,000	759,925	559,925	SAMS continues to perform above expectations, costs of SAMS have been reduced and the output continues to be strong.
Sub-total Transformation			**735,119**	

Transformation & Business as Usual Projects in exception	Total savings to be achieved 2018/19 £	Total Forecast to be achieved 2018/19 £	Variance £	Reason for variance
CCTV New Trading Model	20,000	0	(20,000)	Technical issues with the new operating model had reduced the ability to generate income from business development earlier in the year. The ongoing capital investment in systems and infrastructure is also expected to improve the position from April 2019.
Waterside Arts Centre	100,000	0	(100,000)	Ongoing capital investment in the facility and further business development is anticipated to improve the position later in the year to enable a sustainable financial position to be achieved from 2019/20.
Review of PFI contract	250,000	200,000	(50,000)	Negotiations are continuing with the PFI provider to secure savings.
Sub-total Business as usual			**(170,000)**	
Total			**565,119**	

Appendix 2

Transformation Fund Summary By Scheme

-	Expenditure			Funded by			Overall Benefit		
Scheme	**Revised Budget £'000**	**Forecast £'000**	**Variance £,000**	**GMHSCP £'000**	**Match Funding £'000**	**Total £'000**	**Target £'000**	**Forecast £'000**	**Variance £'000**
CCG									
Administration	54	0	(54)	0		0	0	0	0
Cancer screening LES Payments	33	0	(33)	0		0	0	0	0
Primary care mental health and wellbeing service	936	0	(936)	0		0	3	0	(3)
Medicines Optimisation team	1,002	367	(635)	167	200	367	3,391	1,612	(1,779)
Care Workforce	1,273	213	(1,060)	213		213	2,108	0	(2,108)
TECHT (Domiciliary MDT)	2,826	1,468	(1,358)	1,468	0	1,468	2,127	250	(1,877)
Quality and Outcomes Framework	100	0	(100)	0		0	725	0	(725)
Clinical and Change Resource	234	47	(187)	47		47	0	0	0
Provider Leadership Capacity	220	107	(113)	107		107	0	0	0
Quality and Outcomes framework	90	33	(57)	33		33			
GP Transitional Relief	105	0	(105)	0		0			
New Organisational Form	462	241	(221)	241		241			
Training Costs	360	9	(351)	9		9	0	0	0
Urgent Care - Community Enhanced Care	800	0	(800)	0		0	1,930	934	(996)
Urgent Care - Ascot House	4,473	4,364	(109)	2,564	1,800	4,364			

Page 88

Home Care	754	0	(754)	0		0			
Programme Management	512	240	(272)	240		240	0	0	0
Total	**14,234**	**7,089**	**(7,145)**	**5,089**	**2,000**	**7,089**	**10,284**	**2,796**	**(7,488)**
Council									
Urgent Care - Discharge to Assess Bed Facility	1,827	1,838	11	779	1,059	1,838	0	0	0
Urgent Care - Social work capacity to improve flow in hospitals	473	404	(69)	37	367	404	0	0	0
Urgent Care - Discharge to Assess and Process Improvements	79	78	(1)	0	78	78	0	0	0
Adult's and Children's Social Care	2,123	1,852	(271)	1,549	303	1,852	8,649	8,651	2
Homecare	2,100	245	(1,855)	109	136	245	0	0	0
Programme Management	1,099	1,076	(23)	0	1,076	1,076	0	0	0
Enablers	125	40	(85)	0	40	40	0	0	0
Total	**7,826**	**5,533**	**(2,293)**	**2,474**	**3,059**	**5,533**	**8,649**	**8,651**	**2**
Joint									
Programme Management	421	335	(86)	335	0	335	0	0	0
Enablers	800	196	(604)	196	0	196	0	0	0
Total	**1,221**	**531**	**(690)**	**531**	**0**	**531**	**0**	**0**	**0**
Grand Total	**23,281**	**13,153**	**(10,128)**	**8,094**	**5,059**	**13,153**	**18,933**	**11,447**	**(7,486)**

0TRAFFORD COUNCIL

Report to:	**Accounts and Audit Committee**
Date:	**26 March 2019**
Report for:	**Decision**
Report of:	**The Executive Member for Finance and the Corporate Director of Finance and Systems**

Report Title:

Accounting Concepts and Policies

Summary:

This report explains the accounting concepts and policies that will be used in preparing the 2018/19 annual accounts

Recommendation(s)

It is recommended that:

a) The Accounts and Audit Committee is requested to approve the accounting concepts and policies that will be used in completing the 2018/19 annual accounts

Contact person for access to background papers and further information:

David Muggeridge, Finance Manager, Financial Accounting Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	None arising out of this report
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Executive Summary

General Principles - The statutory accounts are prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom in 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS).

Main Assumption - is that the Council's accounts are prepared on a **going concern** basis, ie will continue in operational existence for the foreseeable future.

The Council's accounting policies are the specific principles, conventions, rules and practices that are applied consistently in preparing and presenting the annual accounts. (Full list included at Appendix 1)

Some Key Policies

- Accruals of income and expenditure - Economic activity is accounted for in the year that it relates, not simply when cash payments are made or received.

- Accounting for Non Current Assets - Covers how assets are classified and recognised on the balance sheet including property, plant and equipment, investment property, heritage assets and assets held for sale; treatment of future valuations, depreciation and impairment.

- Accounting for Financial Instruments (financial assets and liabilities) - Covers how financial assets (eg general cash investments, loans and equity shareholdings) are held on the balance sheet and how changes in "fair value" in those assets are accounted for.

- Employee Benefits and Pensions - Covers how benefits payable during employment, post employment and termination are accounted for, including pensions

- Schools - Details the types of schools and their accounting transactions which are included in the Council's accounts.

- Group Accounts - How other entities, where the Council has significant controlling interest, are included in the accounts, for example Trafford Leisure CIC and Trafford Bruntwood LLP.

Changes to 2018/19

Due to changes in accounting standards:-

- IFRS9 - the treatment of Financial Instruments (See Para 2.3 – 2.19)
- IFRS15 - Revenue from Contracts with Customers (See Para 2.20 – 2.24)

1. **Introduction**

1.1. This report details the accounting policies that will be used in the preparation of the 2018/19 accounts.

2. **Accounting Concepts and Policies**

2.1. The Council's accounting concepts and policies are the specific principles, conventions, rules and practices that are applied in preparing and presenting the annual accounts. These accounting concepts and policies have to be disclosed as a note to the annual accounts.

2.2. The accounting concepts and policies to be used in the preparation of the 2018/19 annual accounts are attached at Appendix 1. There are some significant changes to the accounting policies from those used for the 2017/18 annual accounts. These changes mainly relate to:-

- IFRS9 - the treatment of Financial Instruments
- IFRS15 - Revenue from Contracts with Customers

2.3. In preparing the financial statements, the Corporate Director of Finance and Systems is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, if the Authority lacks funding for its continued existence. The concepts and policies have been updated to include to a formal disclosure that the accounts have been prepared on a going concern basis and the assumptions used in making this disclosure.

Financial Instruments IFRS9

2.4. Financial Instruments are defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.5. The revised accounting standard relates to the treatment of financial assets, for example:-

- cash
- debtors (both long and short term)
- investments
- Loans to third parties
- Shareholdings

2.6. Excluded from the definition are debtors that relate to taxation (e.g. VAT, business rates and council tax) and shareholdings in companies that are consolidated within the Council's group accounts (e.g. Trafford Leisure CIC and Trafford Bruntwood LLP).

2.7. This accounting standard requires the Council to review its financial assets and reclassify them against three new categories, detailed below, and also reviewed and impaired (reduced in value) where there is a potential risk the investment will not be repaid. This is known as the expected credit loss model. Based on the assets the Council currently holds there is no impact on the Council's bottom line.

New Classification

2.8. Under IFRS9 there are three new categories of financial assets –

- Amortised Cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Other Profit and Loss (FVPL)

2.9. Assets classed as amortised cost are investments and debtors where the amounts received relating to them are solely for the collection of principal and interest and they are held to generate cash returns. Assets such as the majority of the Council's Treasury management investments and loans to third parties will now be classed as amortised cost. **This classification will result in no change to the accounting treatments.**

2.10. Assets classed as FVOCI are assets where the amounts received are solely principal and interest but the assets are held to collect cash AND sell the assets. Where assets are classed as FVOCI their value is assessed at each year end. For FVOCI assets any change in value is charged to an unusable reserve – the Financial Instruments Revaluation Reserve.

2.11. Assets classed as FVPL are assets which are held for any other purpose. The Council's equity investments would fall within this category as income received would be in the form of dividends. Again, the value of these assets is assessed at each year end. Changes in value for FVPL assets are charged / credited to the income and expenditure each year end and charged to general reserves. **This is a change from the current arrangements.**

2.12. Where equity investments are not held to trade but are held for strategic reasons the Council can choose to designate these investments as FVOCI rather than FVPL. The Council has taken the option to designate those investments that are considered to be strategic.

2.13. The impact of an election in relation to these equity instruments, is that movements in fair value will not be debited/credited to the Surplus or Deficit on the Provision of Services as they arise. Instead, movements will be reversed and accumulated in the Financial Instruments Revaluation Reserve until the asset is derecognised (sold), at which point the net gain or loss would be transferred to the General Fund Balance.

2.14. The Council has one investment, the CCLA Property Fund, which would be designated as Fair Value through Profit and Loss. However, investments in CCLA Property Funds have been separately classified as pooled investments as defined by a Statutory Instrument meaning that any changes in fair value can be reversed using a statutory override and thus negating the effect on the Council's revenue budget. This override will be available until 21 March 2023; giving time for local authorities to review their holdings of such instruments.

2.15. As at 1 April 2018 the Council has mapped the existing asset classifications to the revised classifications.

Expected Credit Loss

2.16. Assets classed as amortised cost or FVOCI have to be reviewed at each year end for impairment or credit loss.

2.17. There is a three stage approach to impairments after the asset has been initially included on the balance sheet.

- Stage 1 if there has been no significant increase in credit risk since the loan was given, the amount included as impairment is 12 months expected credit losses i.e. the likelihood of default by the borrower over the next 12 months. This impairment would result in the asset being reduced in value on the balance sheet with the loss charged to the income and expenditure account.

- Stage 2 of the process occurs if there is a significant increase in credit risk since the asset was recognised. If this was the case the amount included as impairment would be the lifetime expected credit losses i.e. the estimated amount of default over the life of the asset. At this stage interest income would continue be included on the original value of the loan.

- At Stage 3 the asset would become impaired if the debtor fails to meet its obligations i.e. failure to pay principal or interest due. Again lifetime expected credit losses would be charged as impairment. but in this case interest would be included on the lower value of the loan i.e. the principal outstanding less impairment.

2.18. Any impairment on loans that were treated as capital expenditure can be reversed out of the income and expenditure account and charged to the Capital Adjustment Account, as long as adequate provision is made in future budgets to repay any outstanding debt.

2.19. There is a further statutory override when the purchase of shareholdings or long term debtors have been classed as capital expenditure which means that any change in value is reversed to an unusable reserve – the Capital Adjustment Account.

2.20. Due to the statutory overrides introduced it is not expected that the introduction of this accounting standard will have a significant impact on the general usable reserves of the Council. The disclosures that accompany this standard will provide additional transparency particularly of any failure of debtors to meet their repayment obligations.

Type of Investment	IFRS9	Credit Loss	Impact
Simple Deposits (cash investments)	Amortised Cost (held for SPPI)	12 month, highly rated institutes	No Change on bottom line
Money Market Investments	FVPL or Amortised Cost	12 month, highly rated institutes	No Change on bottom line expected
Externally Managed Funds (CCLA Property Fund)	FVPL (held to collect and sell) (statutory override)	Not required	Category Change
MAG Shareholding	FVPL (but designate as FVOCI – held for strategic purposes)	Not required	No change Changes in valuation reversed out of accounts to Financial Instruments Revaluation Reserve
Loans to 3rd parties	Amortised Cost (held for SPPI)	Either assessed over 12 months or lifetime – dependent on change in risk	Potential impact on revenue budget
Other Equity Investments (Trafford Bruntwood LLP)	Held at cost in Council's accounts	Not required	Outside Scope of IFRS9 as included in Group Accounts at fair value

Revenue from contracts with customers IFRS15

2.21. This revised accounting standards considers when income from contracts should be included in the accounts. In order to be classed as a contract an agreement does not have to be a written contract – it has to be approved by all parties, have identifiable rights and payment terms, have commercial substance and be probable that income will be collected.

2.22. In order to ascertain when income should be included the performance obligations in a contract have to be identified, the transaction price has to be determined, the transaction price allocated to each performance obligation and the income recognised as each performance obligation is satisfied.

2.23. Income can be included over time or at a point in time. Income will be recognised over time when service recipients are receiving and consuming a service e.g. care home provision. Any other income is likely to be recognised at a point in time.

2.24. The major impact of this standard is likely to be in the private sector, for example when an organisation is selling goods with a maintenance contract included. The income for the sale of goods would be recognised immediately but dependant on the contract terms the income relating to maintenance could be recognised over the life of the contract or at the start of the contract.

2.25. It is not anticipated that this accounting standard will significantly change the current treatment of income in the Council's accounts.

3. Recommendations

3.1. The recommendations appear at the front of this report.

Accounting Concepts

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end 31 March 2019. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003.

As local authorities need to reflect statutory conditions, specific statutory adjustments are complied with so that the Council's accounts present a true and fair view of the financial position and transactions of the Council. All accounting policies are disclosed where they are material.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Underlying Assumptions

Going Concern

The Accounting Code, (standard IAS 1) requires management to make an assessment of an entity's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The authority discloses that the accounts have been prepared on a going concern basis and that the Council will continue in existence for the foreseeable future.

This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. The Code is clear that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern. However, if there are material concerns about the financial health of the authority this would be raised as part of the statutory responsibilities of the Section 151 Officer and by the external auditors as part of the accounts audit process.

The accounts have been prepared on the assumption that the Council will continue and there are no material concerns over its financial position which would impact on this conclusion.

Primacy of Legislation Requirements

In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following are examples of legislative accounting requirements which have been applied when compiling these accounts:

- Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003.

- The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.

Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, and those regulations require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom in 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

(b) Accruals of Income and Expenditure

Economic activity is accounted for in the year that it relates, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

(c) Accounting for Non Domestic Rates (NDR) and Council Tax

Non Domestic Rates (NDR)

- Retained Business Rate income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.
- Tariff Payments included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued expenditure.

Council Tax

- Council Tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income. Both NDR and Council Tax income will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor’s share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement. The income for Council Tax and NDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.
- Revenue relating to such things as Council Tax and NDR shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
- The Balance Sheet includes the authority’s share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Accounting for Business Improvement District

- A Business Improvement District (BID) scheme applies to Altrincham Town Centre from 1 April 2016. The scheme is funded by a BID levy paid by Business Rates ratepayers. The Council acts as an agent for the scheme. It collects the BID levy on behalf of the scheme and pays this to the BID body, without bearing any of the risks or rewards of the scheme.

(d) Acquisitions and Discontinued Operations

There are no acquisitions or discontinued operations to report.

(e) Cash and Cash Equivalents

Cash is represented by cash in hand and demand deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Demand deposits will include accounts where additional funds may be deposited and withdrawn at any time without prior notice e.g. a bank current account.

Cash equivalents are investments instantly repayable to the Council on demand which are readily convertible to known amounts of cash with insignificant risk of change in value. These will be balances held in Call Accounts and Money Market Funds with associated accrued interest.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

(f) Exceptional Items

When exceptional items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are due to an understanding of the Council's financial performance.

(g) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

(h) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible non-current assets attributable to the service.

Charges are based on the opening balance sheet value of the asset. Where assets are revalued during the year charges are based on the revaluation amount.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisation are replaced by Minimum Revenue Provision (MRP). This adjusting transaction is done through the Movement in Reserves Statement with the Capital Adjustment Account charged with the difference between the two amounts.

(i) Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination Benefits are charged on an accrual basis to the appropriate service line within Cost of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Council are members of three separate pension schemes:

- the Teachers' Pension Scheme, administered nationally by Capita plc on behalf of the Department for Education (DfE);
- the NHS Pension Scheme, administered by NHS Pensions;
- the Greater Manchester Pensions Fund (part of the Local Government Pension Scheme), administered by Tameside Metropolitan Borough Council.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to NHS Pensions in the year.

The Local Government Pension Scheme

The Greater Manchester Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors).

The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Greater Manchester Pension Fund:

- cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

(j) Events After the reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Adjusting Events - those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Non-adjusting Events - those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

(k) Financial Instruments

Financial Liabilities (Debt and Interest Charges)

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

(CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

For stepped Lender Option Borrower Option loans the effective interest rate has been calculated over the life of the loan. This is an average and differs from the amounts actually paid in the year. The difference between the calculated interest charge and the interest paid has been adjusted in the carrying amount of the loan and the amount charged in the Comprehensive Income and Expenditure Statement is the effective interest rate for the life of the loan rather than the amount payable per the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets eg investments (excluding those in companies included in the Council’s group accounts) are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

Where the authority’s business model is to hold investments to collect contractual cash flows the Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument), ie where assets are held to sell or receive dividends.

Financial Assets Measured at Amortised Cost

Financial assets, including simple deposits, treasury bills and gilts, money market funds, measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis.

The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The authority has grouped the loans into four groups for assessing loss allowances:
Loans

- Group 1 – the Council has made two loans to Manchester Airport Group. An initial loan of £8.7m was made in 2009/10 is due to expire in 2055 and a further advance of £11.3m was made in 2018/19 specifically for the development of Terminal 2 due for repayment in 2058. Loss allowances for this loan will be assessed on an individual basis using common industry-related risk characteristics and the financial health of the company.
- Group 2 – this loan for £4m was made to Lancashire CCC which will be repaid by 2027 has been provided by the Council at commercial rates of interest to Lancashire County Cricket Club (LCCC) to assist in partly financing the construction of a new purpose built 150 room franchised hotel. Loss allowances for this loan will be assessed on an individual basis using common industry-related risk characteristics and the financial health of the company.
- Group 3 – Loans made under Asset Investment Strategy – The scope of the Council's investment strategy covers direct investment in properties (see policy covering investment property) as well as loans made to third party developers. To date the Council has made one developer loan advance in respect of the redevelopment of the Kellogs site to K Site Ltd (a wholly owned subsidiary of Bruntwood Development Holding Ltd) to assist in partly financing their share of the redevelopment of the K Site. Loss allowances for this type of loan will be assessed on an individual basis using common industry-related risk characteristics and the financial health of the company.
- Group 4 – Town Centre Loans – The Council offers an interest-free loan scheme for businesses that want to occupy ground floor, vacant premises in Altrincham, Sale, Urmston or Stretford town centres to part-fund works, overheads and marketing costs that are needed to bring a vacant unit back into use. The loans are advanced in two instalments and the first instalment is made within Long Term Debtors and Prepayments. Once the second instalment is made, the debt is transferred into our

debtor collection system and appears in Short Term Debtors. Due to the immaterial value of these loans, Credit losses will be calculated under the simplified approach adopted for all Trade Debtors.

- Group 5 -Homestep Loans – these are loans provided to first time buyers to assist key workers to purchase a home. The amount advanced has been included as a long term debtor and is repayable when the property is sold. Credit losses will not be calculated on a collective basis using information available on any mortgage defaults.

Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset. Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has one investment, the CCLA Property Investment Fund, which is currently designated as Fair Value through Profit and Loss. Subseqently, any Fair gains and losses should be recognised as they arrive in the Surplus or Deficit on the Provision of Services, thus impacting on the Council’s General Fund balance. However, investments in CCLA property funds fall under the category of “pooled investment funds” as defined in Statutory Instrument SI 2018/1207. This means that until 31 March 2023, English Local Authorities are prohibited from charging to a revenue account fair value gains or losses, unless the gain or loss relates to an impairment or the sale of the asset.

The Statutory override will allow the gain or losses to be reversed via the Movement In Reserves to the Financial Instruments Revaluation Reserve.

Fair Value through Other Comprehensive Income (FVOCI)

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

The Council has a number of equity instruments, which by definition would automatically fall under the category of FVPL, meaning that changes in fair value would impact on the General Fund.

In 2018/19, due to the strategic and regional economic development nature associated with the following non-tradeable equity holdings, the Council elected to designate them as FVOCI.

- Manchester Airport Holding Limited

The impact of this election in relation to these equity instrument is to post gains/losses in fair value to other comprehensive income to the Surplus or Deficit on the Provision of Services as they arise with such movements being reversed via the Movement In Reserve account and accumulated in the Financial Instruments Revaluation Reserve until the asset is derecognised, at which point the net gain or loss would be transferred to the General Fund Balance.

(l) Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are re-converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(m) Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and are recognised when there is reasonable assurance that;

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

The grants are recognised in the Comprehensive Income and Expenditure Statement once any conditions, which stipulate how the grant is to be used to avoid repayment, are satisfied. Where they have not been satisfied they are carried on the Balance Sheet as creditors. Where grants are recognised in the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where a grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve, or Revenue Grants Reserve where they support revenue expenditure funded from capital under statute. Where it has been applied it is posted to the Capital Adjustment Account.

Where capital expenditure is classified as Revenue Expenditure Funded from Capital under Statute then any related grants or contributions are transferred to the service account in the Comprehensive Income and Expenditure Statement.

New Homes Bonus and Education Services Grant are general grants allocated by central government directly to local authorities as additional revenue funding. They are all non-ring-fenced and are credited to Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement.

(n) Heritage Assets

In accordance with FRS 30, the Council is required to recognise and measure Heritage Assets at fair valuation in the accounts. Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value. They are therefore held by the Council in relation to the maintenance of heritage. The Council's separate policy on Heritage Assets includes details of the records maintained by the Authority of its collection of assets.

Heritage Assets are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The de-minimis threshold for a heritage asset is set at £10,000 in order to remain consistent with the Council's capitalisation policy. Where valuations or historic cost figures are available, the assets will be recognised on the Balance Sheet.

As there are no council-owned museums or galleries, the majority of the Council's heritage assets are retained for historical and cultural importance but not for public display. The heritage assets held by the Council include silver, paintings, furniture, statues, civic regalia, artefacts, sculptures and historic buildings. Where it is disproportionately expensive to obtain valuations, the Code allows authorities to exclude such items from the Balance Sheet. Many of the assets are therefore not recognised on the Balance Sheet as valuations are not cost effective.

Trafford Town Hall Collection

The collection of silver, statues, paintings, furniture and other miscellaneous items are held at Trafford Town Hall due to their historical and cultural importance. These items are reported in the Balance Sheet at insurance valuations provided by Vivienne Milburn FRICS (Independent Antiques Valuer and Auctioneer) in July 2011. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

Historic Buildings

The historic buildings were valued by the Council's Asset Manager – Estates and Valuations who is a member of the Royal Institute of Charted Surveyors as part of the five year rolling programme. These buildings are non-operational and held for their cultural and historical value.

Depreciation on historic buildings will be charged in accordance with the Council's policy on property, plant and equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. Proceeds from the disposal of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Heritage Assets not reported on the balance sheet

Trafford owns 25 listed assets that have heritage status per the National Planning Framework, e.g. Trafford Town Hall, Stretford Public Hall and numerous war memorials. Listed buildings like the Town Hall are used in the delivery of services and as such are included in the balance sheet as Property Plant and Equipment. In respect of other listed assets e.g. war memorials no valuation is available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements; those assets have not been included on the balance sheet.

(o) Intangible Assets

Intangible assets do not have physical substance but are controlled by the Council, for example software licences. Intangible assets are capitalised when it is expected that the future economic benefits or service potential will flow to the Council.

(p) Interests in Companies and Other Entities

The Council owns minority interests in a small number of companies, mainly arising from the dissolution of the former Greater Manchester County Council. In the Council's accounts, the interest in companies and other entities are recorded as financial assets at cost, less any provisions for losses.

In addition, two community interest companies (CIC's) were established during 2015/16 for the provision of leisure and youth services but were not considered material in 2015/16. These investments will be included in the balance sheet at Fair Value through Profit and Loss or Fair Value through Other Comprehensive Income. Where there is a quoted price for these investments that will be used as the fair value. Where there is no quoted price the Council will value these based on the Council's share of the reserves based on its shareholding.

Whilst Trust Youth Trafford is still considered as immaterial in terms of transaction value Trafford Leisure CIC Ltd has been included in group accounts since 2016/17.

Trafford Bruntwood LLP, is a Joint Venture Company with K Site Ltd (a wholly owned Subsidiary of Bruntwood Development Holdings Ltd) with each investor owning a 50% share in the Joint Venture.

In the Council's single-entity accounts the interests in Trafford Leisure CIC and Bruntwood LLP, included in its group accounts, are recorded as long term investments at cost.

(q) Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Work in progress on capital projects is included in the Balance Sheet within Assets Under Construction at historic cost.

(r) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Statutory arrangements do not allow any gains or losses from a change in fair value to have an impact on the General Fund Balance and are therefore reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

(s) Jointly Controlled Operations and Jointly Controlled Assets

On 20 March 2018 the Council set up a joint venture with Bruntwood (K Site Ltd) called Trafford Bruntwood LLP. The entity will deliver a new university campus on the former Kelloggs headquarters site at Talbot Road Stretford. From 2018/19 the entity forms part of the Council's group accounts and will be treated as a Joint Venture and consolidated on an equity basis.

(t) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Leases and lease-type arrangements have been reviewed. No reclassification has been required under the Code. The Council has no finance leases.

The Council as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

(u) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The main basis of apportionment is by estimation of time spent on the various services. The cost of administrative buildings has been recharged on the basis of floor area occupied. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

(v) Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure on assets is capitalised, provided that the item yields benefits to the Council for a period of more than one year and can be measured reliably. Routine repairs and maintenance of PPE are charged direct to service revenue accounts.

Measurement

Assets are initially measured at cost comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure, community and assets under construction – depreciated historical cost;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use.

Depreciated replacement cost is used as an estimate of fair value when there is no market based evidence of fair value because of the specialist nature of the asset.

Surplus assets were previously valued at existing use value. The change in measurement basis has been applied prospectively from 1 April 2015 and there has been no restatement of prior year balances.

Assets are revalued with sufficient regularity by a qualified valuer to ensure that the carrying amount is not materially different from their fair value at year end and as a minimum at least every five years. Increases in asset value are matched by a credit to the Revaluation Reserve to represent the unrealised gain. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement for a particular asset where the Comprehensive Income and Expenditure Statement have previously been charged with an impairment loss for that asset. Losses on revaluation are written off to the Revaluation

Reserve, or if no Revaluation Reserve exists for that asset, charged to the Comprehensive Income and Expenditure Account.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment with a finite useful life, which can be determined at the time of acquisition or revaluation, according to the following policies :-

- Freehold land, Investment Properties and Assets Held For Sale are not depreciated;
- newly acquired assets are not depreciated in the year of acquisition, and assets in the course of construction are not depreciated until they are brought into use.

For all other assets depreciation is calculated using the straight line method over the estimated useful life of the asset and are as follows:

- vehicles, plant and equipment between 3 and 8 years;
- all other property, including infrastructure and community assets between 10 and 60 years;
- intangible assets 20 years.

Where an asset value exceeds £1m a review is undertaken to determine whether any major components comprising plant, equipment and services exist and these components are depreciated separately.

Revaluation and Impairment Losses

Assets are reviewed annually at each year end for any impairment or revaluation loss. Where a loss has occurred on an asset used by the service these are written off to the Revaluation Reserve, where a balance exists, or charged to the service revenue account where there is no remaining balance on the Revaluation Reserve.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Any charges for the use of Property, Plant and Equipment with the exception of external interest payments have a neutral impact on the amount to be raised from local taxation and are reversed from service revenue accounts through the Movement in Reserves Statement to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that an asset will be sold then it is reclassified as an Asset Held For Sale. These assets are then carried at a value of the lower of its carrying amount and fair value less costs to sell.

When assets are disposed of or decommissioned the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal and matched against any capital receipt from the disposal. Any revaluation gains on the asset held in the Revaluation Reserve are transferred to the Capital Adjustment Account. Resultant gains or losses following the transfer of schools to academy status are included under financing and investment income and expenditure.

Individual asset disposal proceeds in excess of £10,000 are categorised as capital receipts.

Capital Receipts

Capital receipts from the disposal of assets are treated in accordance with provisions of the Local Government Act 2003. They can be used to fund capital expenditure in the year, to meet debts or other liabilities, or used to cover payments to the Secretary of State under receipts pooling arrangements.

(w) Schools

In accordance with the Code of Practice the Council includes all maintained schools under its control in the single entity accounts and where control exists includes all income, expenditure, assets, liabilities, reserves and cash-flows is recognised in the Council's single entity accounts. Other assets and funds under the control of the school such as school funds are also included in the Council's accounts where material.

Community and Foundation schools are owned by the Council and are recognised on the balance sheet.

Voluntary aided and controlled schools are owned by the respective diocese with no formal rights to use the assets passed onto the school or governing body, therefore these are not included on the balance sheet.

(x) Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as the Council controls the residual interest in the asset at the end of the contract, the Council carries the assets used under the contract on the Balance Sheet.

The Council has entered into a Private Finance Initiative (PFI) contract for the provision of new office and community facilities in Sale Town Centre. The contract commenced in October 2003 with the initial period ending in 2028/29.

The original recognition of these assets was balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets.

Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost - an interest charge on the outstanding Balance Sheet Liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator;
- lifecycle replacement costs - recognised as Property, Plant and Equipment on the Balance Sheet.

(y) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up on the balance sheet. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed in the future by events not wholly within the control of the Council. Contingent liabilities can also arise where it is either not probable economic benefits will flow out from the Council or the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable there will be an inflow of benefits or service potential to the Council.

(z) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. In line with the Code, expenditure is charged to revenue and not directly to any reserve.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

Insurance

The Council essentially self-insures on its major risk areas and operates with significant excess levels, for example liability insurance policies carry an excess of £0.275m and property insurance £0.250m. A provision is maintained to cover costs for which it is responsible for liability claims and a reserve is maintained for property related costs. Further details can be found in note 10 and 25.

(aa) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account is made. This reverses out the amounts charged so there is no impact on the level of Council Tax.

(ab) VAT

VAT payable is included as an expense only to the extent that it is irrecoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

(ac) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as available for sale financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

TRAFFORD COUNCIL

Report to:	**Accounts and Audit Committee**
Date:	**26 March 2019**
Report for:	**Information**
Report of:	**Audit and Assurance Manager**

Report Title

Accounts and Audit Committee – Work Programme – 2018/19

Summary

This report sets out the work plan for the Committee for the 2018/19 municipal year i.e. items covered during the year in addition to the agenda for the March 2019 meeting.

It outlines areas considered by the Committee at each of its meetings, over the period of the year. The work programme has assisted in ensuring that the Committee has met its responsibilities under its terms of reference and maintained focus on key issues and priorities as defined by the Committee.

Recommendation

The Accounts and Audit Committee is asked to note 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 (Provided outside of the Committee on 28 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)		- 2017/18 Annual Governance Statement (final version) - Corporate Governance Code.	- 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	(Note: Training session on Treasury Management was provided outside of the Committee on 16 October 2018.					
	- Internal Audit monitoring report	- 2017/18 Annual Audit Letter (Grant Thornton) - Audit Update (Mazars)	- Strategic Risk Register monitoring report - Insurance Performance Report 2017/18			- Treasury Management : 2018/19 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 Plan & Update (Mazars)		- Report on arrangements for 2018/19 Annual Governance Statement.	(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 - Internal Audit Charter and Strategy	- Audit update (Mazars)	- Strategic Risk Register monitoring report - Cyber Security Risks update			- Budget Monitoring Report (Period 10 2018/19). - Accounting Policies - Procurement update (STAR Shared Procurement Service)