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TRAFFORD
COUNCIL

AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE

Date: Wednesday, 19 June 2019

Time: 6.30 p.m.

Place: Meeting Room 6, 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. MEMBERSHIP OF THE COMMITTEE 2019/20		1 - 2
To note the membership of this committee, as determined by Annual Council on 22/5/19.		
4. TERMS OF REFERENCE OF THE COMMITTEE 2019/20		3 - 4
To note the Terms of Reference of this committee, as determined by Annual Council on 22/5/19.		
5. MINUTES		5 - 8
To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 26 th March, 2019.		

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|-----|---|-----------|
| 6. | CORPORATE GOVERNANCE CODE | 9 - 42 |
| | To consider a report of the Corporate Director, Governance and Community Strategy. | |
| 7. | 2018/19 DRAFT ANNUAL GOVERNANCE STATEMENT | 43 - 74 |
| | To consider a report of the Corporate Director, Governance and Community Strategy. | |
| 8. | EXTERNAL AUDIT PROGRESS REPORT AND 2019/20 FEE LETTER | 75 - 92 |
| | To receive a report from the Council's External Auditor. | |
| 9. | 2018/19 TREASURY MANAGEMENT ANNUAL PERFORMANCE REPORT | 93 - 114 |
| | To consider a report of the Corporate Director, Finance & Systems. | |
| 10. | 2018/19 ANNUAL HEAD OF INTERNAL AUDIT REPORT | 115 - 150 |
| | To consider a report of the Audit and Assurance Manager. | |
| 11. | ACCOUNTS AND AUDIT COMMITTEE 2018/19 ANNUAL REPORT | 151 - 166 |
| | To consider a report of the Audit and Assurance Manager. | |
| 12. | ACCOUNTS AND AUDIT COMMITTEE 2019/20 WORK PROGRAMME | 167 - 170 |
| | To consider a report of the Audit and Assurance Manager, for comments / approval. | |
| 13. | URGENT BUSINESS (IF ANY) | |
| | Any other item or items which by reason of special circumstances (to be specified) the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency. | |

SARA TODD
Chief Executive

Membership of the Committee

Councillors B. Brotherton (Chair), E. Patel (Vice-Chair), C. Boyes, G. Coggins, J. Dillon, A. Duffield, P. Lally, J. Lloyd, A. Mitchell and Ms. J. Platt.

Further Information

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

J. Maloney, Democratic and Scrutiny Officer,
Tel: 0161 912 4298

Accounts and Audit Committee - Wednesday, 19 June 2019

Email: joseph.maloney@trafford.gov.uk

This agenda was issued on **Tuesday, 11 June 2019** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH

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TRAFFORD COUNCIL

MEMBERSHIP OF COMMITTEES 2019/20

Note on Membership: In accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) recommended practice the Chair and Vice-Chair of the Accounts and Audit Committee should not also be a Chair or Vice-Chair of an Overview and Scrutiny Committee / Select Committee.

COMMITTEE		NO. OF MEMBERS	
ACCOUNTS AND AUDIT		9 (plus 1 Co-optee)	
LABOUR GROUP	CONSERVATIVE GROUP	LIBERAL DEMOCRAT GROUP	GREEN PARTY GROUP
Councillors:	Councillors:	Councillors:	Councillors:
Barry Brotherton CH Jayne Dillon Anne Duffield Judith Lloyd Liz Patel V-CH	Chris Boyes OS Paul Lally Alan Mitchell		Geraldine Coggins
TOTAL	5	3	0
		0	1

NON-VOTING CO-OPTEE (1) – Mrs. Jeannie Platt

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ACCOUNTS AND AUDIT COMMITTEE

Statement of Purpose

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

Composition

Membership of the Audit and Accounts Committee shall comprise 9 Members, be politically balanced and shall not include any Members of the Executive. A non voting member, with appropriate skills and experience, may be co-opted on to the Committee with the approval of the Council.

Terms of Reference

Internal and External Audit

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

Risk Management

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

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

Internal Control Arrangements, Corporate Governance and the Annual Governance Statement

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

Anti - Fraud and Corruption Arrangements

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

Accounts

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

Access and Reporting

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

Delegation

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

ACCOUNTS AND AUDIT COMMITTEE

26 MARCH 2019

PRESENT

Councillors B. Brotherton (in the Chair), Lally, Mitchell, Patel and Slater; and Ms. J. Platt (Independent Member).

IN ATTENDANCE

Deputy Director of Finance (G. Bentley),
Audit and Assurance Manager (M. Foster),
Director of Procurement (L. Cox) (item 42),
Chief Digital Officer (P. James) (items 42 and 43),
Democratic and Scrutiny Officer (J.M.J. Maloney).

ALSO IN ATTENDANCE

Mr. T. Rooney (Mazars).

APOLOGIES

Apologies for absence were received from Councillors C. Boyes and J. Dillon.

39. ATTENDANCES

40. QUESTIONS FROM MEMBERS OF THE PUBLIC

It was reported that no questions had been received for referral to this meeting.

41. MINUTES

RESOLVED – That the Minutes of the meeting held on 6th February 2019 be approved as a correct record and signed by the Chair.

42. PROCUREMENT UPDATE - PRESENTATION FROM STAR

The Director of Procurement delivered a presentation which set out for the Committee's information key details of the achievements to date, priorities and future aims of the STAR procurement service. Emphasis was laid on financial performance and savings, manageable growth whilst safeguarding the interests of founder members, the intention to enhance local spend, and the aim to maximise social value in respect of awarded contracts.

An opportunity was provided for Members to raise questions on the presentation's content. These focussed on: key areas for delivering social value; promotion and publicity for the STAR offer; arrangements to secure compliance with contract terms; and the overall benefits delivered by the shared procurement approach. In discussion, it was agreed that Members would be provided with a range of STAR strategy documents and a list of the 38 social value indicators; and that it would be helpful for a further update to be made to the Committee later in the year, with particular reference to performance against social value delivery targets.

RESOLVED –

- (1) That the content of the presentation be noted.
- (2) That a further update be provided for the Committee later in the year.

43. CYBER SECURITY UPDATE - PRESENTATION

The Chief Digital Officer was in attendance to deliver a presentation to Members setting out the background to effective cyber security, and its applicability to the Trafford context. Stress was laid on the key principles of education, technical defences, effective processes and responses which learned lessons from threats experienced. Whilst the Council's arrangements were deemed broadly to be robust in the context of a high threat level, it was acknowledged that in this area there would invariably be tension between issues of stability, flexibility, costs and proportionality. In discussion, Members raised a number of issues, including: specific measures possible to guard against cyber attacks; disaster recovery plans; the interrelationship between the need for security and the flexibility of the Council's IT "offer", and the availability of out-of-hours reporting facilities. In discussion, it was agreed that it would be helpful for the Committee to be provided with a further update, in approximately six months, on the development of action plans, with specific reference to disaster recovery mechanisms.

RESOLVED –

- (1) That the content of the presentation be noted.
- (2) That a further update on action plans be provided to the Committee in due course.

44. TRAFFORD COUNCIL AUDIT UPDATE REPORT

Mr. T. Rooney (Mazars) was in attendance to introduce the external auditor's latest progress update on its delivery of its audit responsibilities as at March 2019. It was noted that work was currently on track; and that there were currently no significant matters which required reporting at this stage. As part of the update, Members' attention was drawn to a range of national publication which were deemed to be potentially of interest to the Committee in undertaking its work.

RESOLVED – That the content of the report be noted.

45. INTERNAL AUDIT CHARTER AND STRATEGY

The Audit and Assurance Manager submitted a report which presented for approval the Internal Audit Charter and Internal Audit Strategy documents following their recent review. Members were advised that the Internal Audit Charter and Strategy had previously been updated in March 2018 and had recently been reviewed further and updated to reflect recent service changes during 2018/19. The proposed amendments to be made to the Charter and Strategy were specifically drawn to the Committee's attention in the report.

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

46. INTERNAL AUDIT PLAN 2019/20

The Audit and Assurance Manager submitted a report which presented for approval the proposed Internal Audit Operational Plan for 2019/20. The plan document set out key areas of focus across all principal areas of internal audit coverage. In response to a question, the Committee was advised of the principles governing the frequency of audit inspections of schools.

RESOLVED – That the 2019/20 Internal Audit Plan be approved.

47. STRATEGIC RISK REGISTER

The Audit and Assurance Manager presented a report which provided an update on the strategic risk environment, setting out developments relating to the management of each of the Council's strategic risks. An opportunity was provided for Members to raise questions on the report's content; these focussed on the deletion of the risk relating to the integration of Trafford Council and Trafford CCG. In discussion, a suggestion was noted that future meetings of the Committee might review specified individual risk areas in greater detail.

RESOLVED – That the content of the report be noted.

48. BUDGET MONITORING REPORT 2018/19 - PERIOD 10

The Deputy Director of Finance introduced a report of the Executive Member for Finance and the Corporate Director of Finance and Systems which informed Members of the current 2018/19 forecast outturn figures relating to both Revenue and Capital budgets. It also summarised the latest forecast position for Council Tax and Business Rates within the Collection Fund. Members were advised that the report had been presented to the Executive at its March meeting; and their attention was drawn to significant current variances and the factors underlying them. An update was provided on progress on the Council's savings programme, and on expenditure from the Transformation Fund.

RESOLVED – That the content of the report be noted.

49. ACCOUNTING CONCEPTS AND POLICIES

The Deputy Director of Finance introduced a report of the Executive Member for Finance and the Corporate Director of Finance and Systems which explained the accounting concepts and policies which would be used in preparing the 2018/19 annual accounts. Members noted that the two most significant changes, stemming from updates to International Financial Reporting Standards (IFRS), related to the treatment of Financial Instruments (IFRS9) and the presentation of Revenue from Contracts with Customers (IFRS 15). In respect of IFRS9, this would impact on the valuation basis of a number of financial assets (e.g. treasury management investments, loans to third parties and any equity shareholdings) and how any changes in future valuations would be accounted for.

RESOLVED – That approval be given to the accounting concepts and policies that would be used in completing the 2018/19 annual accounts.

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

The Audit and Assurance Manager presented a report which provided an overview of progress against the Committee's work plan for 2018/19, and a summary of the broad areas reviewed at each of the Committee's meetings during the year. It was noted that a report was to be made to Council later in the year.

RESOLVED – That the content of the report be noted.

The meeting commenced at 6.30 p.m. and finished at 8.14 p.m.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 19 June 2019
Report for: Consideration
Report of: Corporate Director of Governance and Community Strategy

Report Title

Corporate Governance Code

Summary

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

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

Trafford Council's Code of Corporate Governance is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' issued in 2016/17. The Code was previously updated in 2018.

<https://democratic.trafford.gov.uk/documents/s30277/Updated%20CG%20code%202018%20AAC.pdf>

This report sets out the proposed updated Corporate Governance Code which has been reviewed by CLT. The Code has been updated to take account of developments in 2018/19. The Code continues to be produced in accordance with the framework and guidance issued by CIPFA/SOLACE which sets out 7 key governance principles.

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

Recommendation

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

The final version of the Code will be presented for approval by the Accounts and Audit Committee in July 2019.

Contact person for access to background papers and further information:

Name: Alexander Murray – Democratic and Scrutiny Officer
Extension: 4250

Background Papers:
None



TRAFFORD COUNCIL

CORPORATE GOVERNANCE CODE

July 2019

Trafford Council Corporate Governance Code

1. What do we mean by governance?

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

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

2. Trafford's commitment

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

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

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

3. The Governance Framework

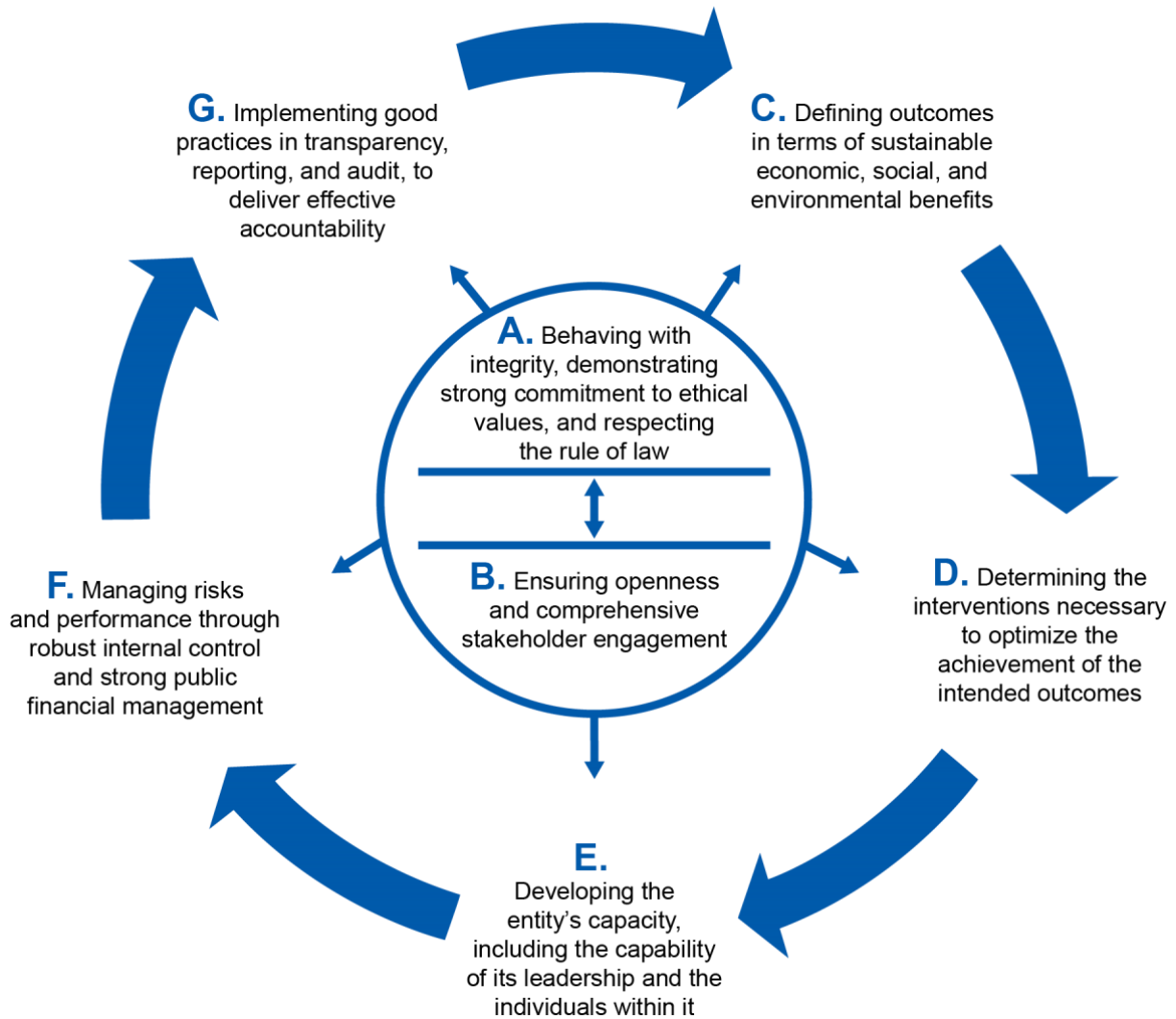
In order to ensure the fulfilment of its commitment, the Council operates a governance framework which provides a structure to support the Council's approach to governance.

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

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

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

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



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

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

Maintain a local code of corporate governance

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

Undertake an annual review of governance arrangements

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

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

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

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

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

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

5. Responsibilities

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

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

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

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

6. Communication

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

7. Trafford Council's Governance Framework

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

Behaving with integrity

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

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

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

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

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

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

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

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

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

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

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

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

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

Respecting the rule of the law

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

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

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

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

The Council's Corporate Director of Governance and Community Strategy is designated as "**Monitoring Officer**". It is the function of the Monitoring Officer to oversee and monitor compliance with legislation and the Council's established policies and procedures.

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

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

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

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

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

Principle B: Ensuring openness and comprehensive stakeholder engagement	
<p>Openness</p> <ul style="list-style-type: none"> ➤ Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness ➤ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reason for keeping a decision confidential should be provided ➤ Providing clear reasoning and evidence of decisions in both public records and explanations to stakeholders and being explicit about criteria, rationale and conclusions used. In due course, ensuring that the impact and consequences of those decisions are clear ➤ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / course of action 	<p>The Council publishes a wide range of information, statistics and data in accordance with, and indeed beyond the expectations of, the Local Government Transparency Code (2015).</p> <p>The Authority as a whole is open and accessible to the community, service users and its staff and has made a commitment to openness and transparency in all its dealings, subject only to those specific circumstances where it is proper and appropriate to do so.</p> <p>Part 4 of the Constitution sets out the Access to Information Procedure Rules including the rights to attend meetings and access summons, agenda and reports. Where major ‘key’ decisions are to be discussed or made, these are set out in a notice published at least 28 days before a decision is made.</p> <p>Council decisions are based on public consultation including the budget proposals. Meetings where decisions are made and scrutinised are open to the public, except where exempt information is disclosed. Those making decisions, whether for the Authority or in partnership, are required to be provided with information that is fit for purpose – clear, timely, relevant, accurate and complete and gives clear explanations of issues and implications on both a financial and non-financial basis.</p>
<p>Engaging comprehensively with institutional stakeholders</p> <ul style="list-style-type: none"> ➤ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholders relationship are clear so that the 	<p>Trafford Council is a member of the Greater Manchester Combined Authority, run jointly by the leaders from the 10 councils governed by a fully elected mayor, working with other local services, business and community to improve the city region with powers and accountabilities that bring decision making closer to the local people.</p>

outcomes are achieved successfully and sustainably

- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
- Ensuring partnerships are based on:
 - Trust
 - A shared commitment to change
 - A culture that promotes and accepts challenge among partners
 - the added value of partnership working is explicit.

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

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

The Council set up wholly owned community interest company (CIC), **Trafford Leisure** from 1st Oct 2015 to deliver leisure services across the borough. The company has a Board of Directors appointed responsible for compliance with general company law and CIC regulatory requirements.

From April 2019 The Council set up the **Trafford Integrated Youth Offer** which is principally an in-house service supported by a small number of specialist commissioned services including; Talk-Shop, Youth Offending Service and Outreach Youth work.

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

Engaging with individual citizens and service users effectively

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

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

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

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

The Council undertakes regular consultation in relation to policy change and spending proposals. There are a range of consultation mechanisms in place for public and Council employees including an online forum, network events, focus group and surveys.

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

Defining outcomes

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

Trafford's **Corporate Plan**, agreed by the Executive in March 2019, sets out the **Council's Vision** of;

"Working together to build the best future for everyone in Trafford"

This vision is to be achieved through the delivery of **7 Corporate Priorities** which have been developed in consultation with staff and partners. The **7 Priorities** are;

- Building Quality, Affordable and Social Housing
- Health and Wellbeing
- Successful and Thriving Places
- Children and Young People
- Pride in Our Area
- Green and Connected
- Targeted Support

To support the **Corporate Plan**, a number of **Directorate plans, Service/Team Plans**, and the **Medium Term Financial Plan**. The **Core Strategy** agreed in 2012 sets out the **Council's spatial policy framework** for delivering the development and change needed to realise the Council's vision for the Borough up to 2026. It includes plans relating to economic, social and environmental issues and how these will shape the future of Trafford.

As part of the wider Greater Manchester Health & Social care devolution, the **Trafford Locality Plan** developed in collaboration with the Trafford Clinical Commissioning Group was agreed in March 2016.

	This sets out the vision and principles for development of a fully integrated health & social care system to be implemented by 2020.
<p>Sustainable economic, social and environmental benefits</p> <ul style="list-style-type: none"> ➤ Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision ➤ Taking a longer terms view in regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisations intended outcomes and short term factors such as the political cycle or financial constraints ➤ Determining the wider public interest associated with balancing conflicting interests between achieving the various social, economic, and environmental benefits, through consultation where possible, in order to ensure appropriate trade offs ➤ Ensuring fair access to services. 	<p>The Council's Medium Term Financial Strategy provides a rolling 3 year plan aligned to the authority's strategic objectives and includes a:</p> <ul style="list-style-type: none"> ➤ Medium Term Financial Plan which details the Council's revenue budget ➤ 3 year Capital Programme and developing Investment Strategy ➤ Treasury Management Strategy. ➤ Efficiency Plan which details the Council's approach to deliver efficiencies with all of this underpinned by a set of Prudential Indicators, designed to ensure capital borrowing is affordable and does not place undue burden on the Councils revenue budget. <p>Trafford continues to develop a multi-year Locality Plan which sets out the transformational change in conjunction with health partners to deliver health and social care integration.</p> <p>To support longer term decision making, committee reports require that proposed options set out any implications in relation to the policy framework, corporate priorities, financial, legal, resource and sustainability issues as well as equality and diversity, and health & wellbeing. The report should indicate also whether consultation is required on the outcome of the decision</p> <p>In accordance with the Equality Act 2010, the Council complies with the Public Sector Equality Duty to consider the needs of people who are disadvantaged or suffer inequality when making decisions regarding its service provision and policies. The Council has implemented detailed</p>

	<p>guidance and procedures for staff to ensure that an Equality Impact Assessment is undertaken in relation to all proposed changes in policy, strategy, functions and internal structures.</p> <p>The Council is a signatory to the GMCA Social Value Policy and has developed its own Social Value guidance for staff and suppliers which demonstrates a commitment to obtaining additional social value in accordance with the Public Services (Social Value) Act 2012 from its third party controllable spend.</p> <p>The Council has also developed its own response to the GMCA Social Value Policy designed to help potential bidders understand more about social value and how to make social value commitments when bidding for a contract with Trafford Council.</p>
<p>Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	

Determining interventions

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

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

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

The Council has **Joint Consultative Committee** arrangements in place which act as a regular method of consultation between the Council and the Trade Unions. This enables the Trade Unions to have input into human resource issues including proposed organisational and policy changes.

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

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

Planning interventions

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

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

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

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

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

Optimising achievement of intended outcomes

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

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

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

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

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

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

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

Developing the entity's capacity

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

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

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

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

A succession planning strategy formalises an approach to ensure that key skills are not lost to the Council whilst up-skilling staff to take on higher graded roles. Successors will be identified at senior manager level and targeted development initiatives provided to ensure that the Council is equipped to flex the workforce to react to resource and skills gaps.

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

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

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

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

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

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

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

and encouraged.

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

There is a behavioural based competency framework and staff appraisal process in place which supports the cascade of corporate objectives and values through to individual employee targets. All staff members are required to complete an annual **Personal Development Review**. **One to one meeting guidance** and a template to record discussions has been made available for managers so that a consistent approach to supervision is adopted across the Council. The Council has taken a strategic approach to **Absence Management** and ongoing performance is monitored as part of the Authority's Performance Management Framework.

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

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

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

Managing risk

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

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

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

To support change, the Council's **Programme Management Methodology** ensures that risk logs are maintained for each project to track emerging risks/issues and ensure they are escalated to senior management where necessary.

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

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

Managing performance

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

The Council's **Performance Management Framework** sets out the key deliverables for the coming year comprised of individual **Directorate** and **Service business plans**, which connect service objectives and associated actions to the **Corporate Plan**.

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

The Council has in place a **Scrutiny Committee**, **Health Scrutiny Committee**, and **Children and Young People's Scrutiny Committee** which provide the scrutiny of decisions made, service delivery, and policy development and implementation. The Scrutiny Committee have the ability to "call in" decisions made by the Executive, which is detailed within the Council's Constitution.

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

Robust internal control

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

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

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

The Council operates an **Accounts and Audit Committee** whose role is to monitor and evaluate the Council's corporate governance, risk management and internal control arrangements. The committee regularly reviews its work practices against the guidance set out by CIPFA.

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

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

Managing data

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

To ensure the Authority meets best practice and legislative requirements, an **Information Security Governance Board** has been established which meets regularly to provide strategic direction and oversight of Information governance across the council.

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

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

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

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

Users of the Trafford ICT network are required to sign up to the authority's **Acceptable Use Policy** to confirm acceptance of agreed

	<p>responsibilities and standards to prevent misuse of equipment or networks.</p> <p>The Council has engaged a third party provider to provide IT Security capacity and capability working with the in house ICT service to ensure appropriate safeguards are in place, monitor the firewall perimeters and provide accredited security advice. A best practice review of IT Security policies has been undertaken aligned to the recommendations from the Information Commissioners Office's Audit.</p> <p>Trafford Council is compliant with Public Sector Network (PSN) requirements and as such subject to independent penetration testing on both the internal and external network.</p> <p>The Council has assigned Information Asset Owners who are responsible for ensuring information quality and security for their service areas and to maintain an Information Asset Register.</p> <p>The Council has adopted a Records Management Policy and has a comprehensive records retention and disposal schedule covering all services.</p> <p>Case File Recording Policies are in place to ensure the accuracy of service user information for systems that support the provision of care. Data analyst and performance staff regularly review data quality for key systems.</p>
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Strong public financial management

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

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

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

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

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

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

Implementing good practice in transparency

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

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

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

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

The Council has a range of communication channels in place through its website **trafford.gov.uk**, social media channels and press releases. Face to face and telephone contact is provided through the **Access Trafford contact centre**, and a network of libraries. Webcast of full Council meetings are available live and on demand through the **Public-i website**. **All of the Council's other Committees which are held in public and do not contain restricted information are webcast and available through the Council's YouTube Channel.**

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

Implementing good practices in reporting

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

The Council publishes details of its strategy and performance plans on its website trafford.gov.uk. Bi-annual performance reports against the **Corporate Plan** are reported to the Executive with the mid-year report also going to CLT. Objectives and priorities at Corporate, Directorate, and Service level are continuously monitored as management data is refreshed and RAG rated. Any objectives or priorities rated as RED will be the subject of exception reporting and escalated to the level above, with Corporate level issues being escalated to both CLT and the Executive.

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

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

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

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

Assurance and effective accountability

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

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

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

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

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

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 19 June 2019
Report for: Decision
Report of: Corporate Director of Governance and Community Strategy

Report Title

Draft Annual Governance Statement – 2018/19

Summary

This reports sets out the Draft 2018/19 Annual Governance Statement (AGS). The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2015.

The content of the draft AGS has been reviewed and agreed by CLT. This has included agreeing significant governance issues detailed in the AGS. The draft AGS has also been shared with External Audit to accompany the 2018/19 draft accounts. The version being submitted to the Committee varies slightly to the version agreed by CLT as it has been updated following feedback received from the External Auditors.

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

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

Recommendation

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

The Accounts and Audit Committee notes that the final version of the Annual Governance Statement will be presented for approval in July 2019 following sign off by the Chief Executive and Leader.

Contact person for access to background papers and further information:

Name: Alexander Murray – Democratic and Scrutiny Officer
Extension: 4250

Background Papers: None



TRAFFORD COUNCIL

ANNUAL GOVERNANCE STATEMENT 2018/19 (DRAFT)

Executive Summary

The 2018/19 municipal year has been a time of considerable change within Trafford. Following the result of the 2018/19 elections in May of 2018 the Labour Party, led by Councillor Andrew Western, entered into a Confidence and Supply arrangement with the Liberal Democrat Party, led by Councillor Raymond Bowker, which ended more than a decade of Conservative Leadership within the Council. This led to Councillor Western being appointed as Leader of the Council and the selection of a Labour Executive.

After seven years of service Trafford's Chief Executive Officer Theresa Grant stood down from her role within the Council and her joint role as the Chief Accountable officer of Trafford CCG. This in turn led to the separation of the two positions as agreed by Trafford Council and Trafford CCG respectively. These decisions led to a transitional period whereby the Chief Executive of Salford City Council, Jim Taylor, stood in as Trafford Chief Executive Officer and the Chief Accountable Officer of Salford CCG, Anthony Hassall, stood in as Chief Accountable Officer of Trafford CCG.

Following these appointments Trafford moved from having three directorates to six namely; People, Place, Children's Services, Adults Services, Governance and Community Strategy, and Finance and Systems.

The new Executive needed to establish its own priorities in order to set the direction for the organisation and, in partnership with the Corporate Leadership Team, develop a new corporate plan to take the place of the vision 2031 programme, which had been created by the previous administration. Until the Corporate Plan was agreed and clear priorities established it was not possible to set an Annual Delivery Plan for the year. However, Trafford's performance team did continue to monitor and report performance to the Corporate Leadership Team, the Executive, and the Accounts and Audit Committee throughout the year ensuring that key savings and transformational projects remained on target.

Over a period of six months there were opportunities for staff, partners and members to contribute to the development of the Council's Vision, Priorities, and Values which all fed into the creation of the new Corporate Plan. The process involved CLT away days, Executive briefings with members' input, Staff engagement sessions, Individual sessions with key expert/technical staff, discussions at the Partnership away day, Presentations at Department Managers Team meetings, and One to One session with Heads of Service and Strategic Leads. The outline of the Corporate Plan was completed by March and went to the [Executive 18th March 2019](#) and [Council 20th March 2019](#). Throughout April 2019, directorate plans, service plans, and performance measures have been finalised.

While the new Corporate Plan was being developed the Council were concurrently conducting a robust recruitment exercise which culminated in the appointment of Sara Todd as Trafford's Chief Executive Officer on the 25th February 2019. With this appointment the Council's Corporate Leadership Team was complete and with the New Corporate Plan agreed nearly all elements of the Council's governance structure are in place. Work is underway to update the Council's performance management framework in light of the Corporate Plan and this will be concluded in June 2019.

The week following the appointment of Sara Todd as Chief Executive, Ofsted conducted an inspection of the Council's Children's Social Care services. This was the first full inspection received since 2015 when the Council had been found overall good with elements of outstanding practice. It was therefore a disappointment for the Council that the inspection report released 8th May 2019 gave an overall rating of inadequate with some elements that require improvement.

The Council's new leadership team has already taken action with a commitment being made to; create a new quality assurance team, recruit additional temporary social workers and Family Support workers, and bringing in an audit team to improve quality assurance processes. Additionally, an Improvement Board is being developed and a detailed action plan is being drawn up to present to the Department for Education and Ofsted in July 2019.

1. Scope of Responsibility

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

2. Purpose of the Governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled. The framework covers the Council's activities through which; it is accountable to, engages with, and leads its communities. It also enables the Authority to monitor performance against strategic objectives and evaluate whether those objectives are fit for purpose.
- 2.2 The system of internal control forms a significant part of the framework and is designed to manage risk. However, it can only reduce risk of failure and provide reasonable, not absolute, assurance of effectiveness. The system of internal control is an ongoing process designed to identify and prioritise risks to the achievement of Trafford Council's policies, aims and objectives. The system also ensures that identified risks are evaluated, according to their likelihood and potential impact, and managed efficiently, effectively, and economically.
- 2.3 The governance framework has been in place at Trafford Council for the year ending 31 March 2019 and up to the date of approval of the statement of accounts.

3. The Governance Framework

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

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

3.2 The key elements of the system and processes that comprise the Authority's governance framework are outlined in this Annual Governance Statement. The Statement demonstrates the effectiveness of the Council's governance arrangements during 2018/19 in line with the seven governance principles.

CIPFA SOLACE Principle A.	Key Elements of Trafford Framework
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> • Constitution • Employee Code of Conduct • Members Code of Conduct • Register of Interests • Disciplinary Policy • ICT Acceptable Use Policy • Anti-Fraud & Corruption Strategy • Confidential Reporting Code • Standards Committee • Corporate Governance Code
How we demonstrated effectiveness in 2018/19	
<p>A Constitutional review work group was formed in July 2018 with Membership consisting of cross party representation and officers led by the Executive Member for Constitutional Reform and Resident Engagement. The group came up with a number of changes to update the Council’s Constitution. The Changes related to; Questions and Public Scrutiny, Openness at Council Meetings, Motions at Council Meetings, Questions By Members at Council, the Accounts and Audit Committee, Substitute Members, Electronic Agendas, and the Implementation of the Scrutiny Review. A report detailing the proposed changes was submitted to and agreed by Council 28th November 2018. Following the agreement by Council an action plan was created and by the end of the year most of the proposed reforms had been implemented. The Standards Committee were kept up to date on the progress of the group with the latest update being received by the Standards Committee 6th March 2019.</p> <p>A report on Local Government Ethical Standards by the Committee on Public Standards in Public Life was published in January 2019 following their consultation of Local Authorities, Members, Associated Associations, and Associated Individuals in 2018. The Standards Committee 6th March 2019 received the report to ensure that the Committee were aware of the recommendations made within the report and the possible ramifications upon the Council. In addition to the recommendations the report identified 14 areas of best practice to be implemented by all local authorities by March 2020. The Corporate Director of Governance and Community Strategy is overseeing the creation of an action plan to ensure this is completed within the time frame.</p> <p>The Council had performed a review of Officers declarations gifts and hospitality which lead to the creation of an action plan which was reported to the Accounts and Audit Committee 31 October 2018. Progress has been made against the action plan with the only outstanding actions being those that needed to be implemented in the next municipal year.</p> <p>Trafford’s position regarding Members declarations and hospitality will be updated to</p>	

bring it in line with Best Practice 5 of the Local Government Ethical Standards by the Committee on Public Standards in Public Life.

Trafford’s Corporate Governance Code has been reviewed and updated to reflect the changes within the Council’s governance arrangements following its corporate restructure. Once agreed the update code will be published on the Council’s Website.

During the year the majority of Trafford Councillors have been registered with the Information Commissioner’s Office to bring them in line with changes in regulations. Following discussion and agreement by the [Standards Committee 26th October 2017](#) all Members needed to complete, sign, and return their own forms to ensure they knew the regulations regarding their duties, liabilities, and responsibilities when handling resident’s data. All new Councillors receive a form and the relevant guidance as part of their induction pack.

The Council has an agreed Anti-Fraud and Corruption Policy and Strategy, Fraud Response Plan and Whistleblowing Policy. Details of how to report suspected fraud are included on the Council website. Referrals of suspected fraud can be reported to the Council using an online form.

The 2017/18 Annual Report for the Counter Fraud and Enforcement team was presented to the [Accounts & Audit Committee 30th July 2018](#) outlining fraud prevention and detection activities and planned work for 2018/19. The team has primarily focussed on revenues related fraud relating to Council tax, Business rates & Adult social care funding misuse. An annual report for 2018/19 will be reported to the Accounts and Audit Committee by July 2019.

The Council continues to participate in the National Fraud Initiative (NFI) data matching exercise. An update was provided to the [Accounts and Audit Committee 6th February 2019](#) on work undertaken in 2018/19 which included submitting required data to the Cabinet Office to support the 2018/19 exercise by the relevant deadlines during the year.

The Council now has a Responsible Procurement Strategy which was agreed at the Rochdale, Stockport, Tameside and Trafford [STAR Joint Committee meeting 11th February 2019](#). The STAR Business Plan is under review and will be launched in 2019 for the period 2020-2023.

CIPFA SOLACE Principle B.	Key Elements of Trafford Framework
Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> • Decision Making Protocols • Access to Information Procedure Rules • Budget Consultation • Trafford Partnership Board & Strategic Boards • Public Service Reform Board & Operational Group

- Building Strong Communities Strategy
- Locality Working Programme
- Joint Strategic Needs Assessment

How we demonstrated effectiveness in 2018/19

The work of the Constitutional work group was mainly focused upon increasing openness and transparency. The work of the group has led to a reduction in the number of signatures required for a petition to be discussed by full Council, introduced questions by the public as a standard item on all Executive, Council, and Committee Agendas, introduced webcasting to all Committee meetings (with the exception of part 2 items), and has introduced an e-bulletin displaying recent executive decisions. Since the reduction in the number of signatures required a petition has already been discussed by Council at the [Council Meeting 20th March 2019](#). Prior to that no petitions had been discussed by the Council since the 2010/11 municipal year. The introduction of webcasting through the [Council's YouTube Page](#) has led to Council Committee's receiving over 1600 additional views from December 2018 to March 2019.

The Council has carried out a number of public consultation exercises in 2018/19 on its budget proposals and these were taken into consideration in the final budget report. These included council tax support, adult social care charging and debt recovery policies, amendments to the contact centre opening hours and revised car parking and in extending the charging period. Other consultations took place during the year including the Stretford Masterplan, Civic Quarter Masterplan, Longford Park, and the Greater Manchester Spatial Framework consultation.

In 2018/19 the Council and its partners undertook a range of consultation and engagement activity with residents, businesses and stakeholders, including the [Civic Quarter Masterplan](#), Crime and Community Safety and Voluntary Sector Support. In Carrington and Partington we have worked intensively with a group of residents to establish them as a local steering group, building relationships between them and public services to enable local oversight and coordination of assets, needs and services in the area.

The Council, as part of the Greater Manchester Combined Authority, is working to deliver transformational change under the Public Service Reform (PSR) and Health & Social Care integration programmes. The PSR Strategic and Operational Boards provide oversight and engage stakeholders in development of new operating models. Trafford's One Trafford Response (OTR) Model was developed based upon evidence gathered during two OTR test weekends and Reshaping Social Care '3 conversations' pilots. Following positive test outcomes OTR is to be rolled out through a whole borough workforce and a leadership development framework was launched in April 2018. In the autumn the new frontline workers and Leaders programmes were piloted to enhance skills such as strengths based practice that support the PSR principles and are now being rolled out across the Trafford workforce.

The Council launched a new Inclusive Neighbourhoods Grant Scheme in January 2019, which saw £20,000 released every two months to fund community projects. The Council's grants are complimentary to the funding environment in Trafford, offering grants for community events and environmental projects which other funders do not, ensuring best use of our collective resources. We have established a local Social Investment group to bring funders together to improve coordination, reduce duplication and work proactively to seize new opportunities. The Council recommissioned its voluntary, community and social enterprise (VCSE) infrastructure support contract, with Thrive Trafford securing the three year contract.

CIPFA SOLACE Principle C	Key Elements of Trafford Framework
Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Together Trafford 'Vision 2031'/Corporate Plan • Core Strategy • Trafford Locality Plan • Physical Activity Vision • Medium Term Financial Strategy

How we demonstrated effectiveness in 2018/19

During 2018/19 the Council has created a Corporate Plan which describes Trafford Council's vision and priorities for the borough. It provides the detail of what the Council will do and how we will work with our communities and our partners to deliver change to Trafford in line with these commitments. The Council has identified seven strategic priorities that we believe are key to enabling Trafford residents, businesses and staff to thrive. Our priorities set out our aspirations for our people, place and communities, and how they can affect and improve their daily lives. These are:

- Building Quality, Affordable and Social Housing
- Health and Wellbeing
- Successful and Thriving Places
- Children and Young People
- Pride in Our Area
- Green and Connected
- Targeted Support

These priorities are not just for the Council but for the whole community and have been shared with members of the Trafford Partnerships. To achieve our aims we will work closely and effectively with partners, residents, businesses and communities to make this a success.

Trafford has progressed the first year of delivery against its 5 Year Health and Social Care Locality Plan with a focus on integrating a Strategic Commissioning Function (SCF) between the Council and the CCG. There has been significant development of work to build a SCF programme of work that includes the integration of 4 commissioning teams. The programme will include work to align to the statutory commissioning functions of the Director of Adult Social Care (DASS) and the Director

of Children’s Services (DCS). The governance to support this programmes sits with the newly created Health and Social Care Commissioning Advisory Board (HSCCAB) which in turn reports to the Trafford Joint Commissioning Board (TJCB).

During 2018/19 the SCF programme was audited by the CCG internal audit – MIAA and a full audit report was completed in March 2019 with a set of findings and recommendations for improvements. This will form part of the developments of the SCF programme going forward with an Improvement Plan to support this. The NW ADAS (Association of Directors of Adult Services) also asked Trafford to conduct a self-assessment on Integrated Commissioning for Better Outcomes (ICBO), this self-assessment is now complete, but further work will be delivered on a peer to peer challenge before the development of an Improvement Plan, this is due in July 2019.

The Council’s Medium Term Financial Strategy continued to be reviewed and updated throughout the year, culminating with the setting of a balanced budget for 2019/20 in February 2019. The Council approved a new Investment Strategy in July 2017 and in October 2018 the Executive approved an updated Strategy with the objective of supporting the Council’s financial resilience over the next few years and offering an alternative solution to address future budget gaps.

CIPFA SOLACE Principle D	Key Elements of Trafford Framework
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> • Transformation Programme • Annual Delivery Plan • Medium Term Financial Plan • Efficiency Plan • Capital Investment Programme • Social Value Framework
How we demonstrated effectiveness in 2018/19	
<p>As stated in the Executive Summary the Council did not continue with the Annual Delivery Plan drawn up in 2017/18 due to the change in the organisations direction following the 2018/19 elections and the subsequent change in leadership. However, the Council did continue to monitor the delivery of transformation outcomes and performance through the Corporate Leadership Team. From 2019/20 the Council will monitor its performance against the Corporate Plan which was agreed by Full Council on the 20th March 2019, which will be done through the Council’s new performance management frame work.</p>	
<p>In determining the budget for 2018/19, an overall budget gap of £22.95m needed to be addressed by a combination of additional resources of £12.97m and £9.97m of service savings and additional income.</p>	
<p>Trafford Council is working in collaboration with Trafford Clinical Commissioning Group (CCG) and key partners to develop our all age integrated framework a Single Commissioning Function (SCF), the next phase of work will focus on wider</p>	

partnership engagement and alignment to work on Public Service Reform. The Joint Commissioning Board has committed to look at forming of a Joint Committee and to explore pooled and aligned budget opportunities.

Following a strategic review of leisure facilities across the borough, planned investment of £54m has been agreed as part of the authority’s Capital Programme. Project management is in place to deliver this with the delivery of individual schemes being the subject of individual business cases agreed with Trafford Leisure. The business cases will be subject to independent external review. An assessment of outdoor leisure and sporting facilities (Playing Pitch strategy) has been undertaken which will lead to the creation of a sustainable strategic framework. Proposals for Sale leisure centre will be developed once plans for Altrincham are sufficiently progressed. The proposals for Stretford Leisure centre include the development of new indoor cricket facilities for Lancashire Cricket Club. The exact location will be determined through the Civic Quarter Master-Planning work.

Council officers are considering a number of requests for Long Term Security of Tenure for sports clubs and associations in Trafford to broaden access, help ensure that clubs are sustainable, and help clubs access other grant funding opportunities to lever investment in to facilities.

During 2018 it was decided to disband the Trafford Youth Trust and they have been winding down their business. The TYT will be replaced by a principally in-house service supported by a small number of specialist commissioned services. Talk-Shop, Youth Offending Service and Outreach Youth work and has the working title of TIYO – Trafford Integrated Youth Offer. The new service was approved by executive in February 2019 and came into operation in April 2019.

The Trafford Social Value Group brings officers from across the Council and partner organisations, to support contract managers in maximising additional social, environmental, and economic contributions from contracts in line with the Council’s new Corporate Priorities.

STAR has on-boarded a fourth partner, Tameside Council and Trafford Council has extended its partnership with STAR to include Trafford Clinical Commissioning Group. STAR continues to exceed savings targets and is now developing a Social Value tool for the STAR partners that will capture all Social Value in new contracts, enabling measuring and reporting on the cash value and geographical impact locally.

CIPFA SOLACE Principle E	Key Elements of Trafford Framework
<p>Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> • Supporting Change to Happen Strategy • Member Development Strategy • Members’ Training Plan • Members’ Induction Process • Employee Training & Development Plan

- Corporate Induction Procedure
- Employees Personal Development Review (PDR)
- Staff Health & Wellbeing Strategy
- Absence Management Strategy

How we demonstrated effectiveness in 2018/19

The One Trafford Estate programme is in place and in December 2017, Trafford Council were awarded an £85,000 grant to undertake a 'Locality Asset Review' (LAR). The review has assessed the size of the public estate required for the future delivery of improved services and starts to establish a strategic plan for redesign of the estate. The LAR will be taken through the Council and the CCGs governance for approval in 2019.

A bespoke set of scrutiny training sessions has been developed with North West Employers and will be delivered to members of the Council's three Scrutiny Committees. The first two sessions will be focused upon the key aspects of scrutiny and will be held in June 2019 prior to the first meetings of the year. The third session will be focused on budget scrutiny and held in November prior to the Council's Budget Scrutiny Sessions in December.

The Council's Change Strategy "Building Winning Culture #EPIC" commenced in September 2018. The strategy saw the development of new organisational values, from which the acronym of EPIC was created, and saw the launch of EPIC Pioneers to support and champion new ways of working. Further roll out including staff conferences are planned for June 2019.

The Council has continued to refresh HR policies and plans, (all refreshed policies were submitted to the Council's Employment Committee on the [2nd July 2018, 10th December 2018](#), and [25th March 2019](#)) which support Trafford's commitment to attract the best talent, grow and develop our existing staff, promote a healthy work-life balance, and embed our aspiration to become an employer of choice.

A suite of learning and development interventions were available to equip staff with the tools, techniques, and skills they need to work successfully. Learning and Development Plans are in place at directorate level across the council and are updated annually. Trafford's Learning offer is delivered both face to face and via the e-learning platform with access to coaching opportunities and relevant qualifications available via the professional development route and/or apprenticeship levy.

A succession planning strategy is in place which ensures key skills are not lost and staff are upskilled to enable them to take on higher graded roles. Successors have been identified at senior manager level and targeted development initiatives provided to ensure that the Council's workforce is equipped to meet new and emerging demands.

Coaching offers are available and a leadership offer will be rolled out in 2019/20 that will see a modular suite of learning aimed at new leaders, middle leaders and senior leaders. Managers have also accessed the Apprenticeship levy for leadership qualifications and we continue to offer qualification career paths in roles that require professional qualifications.

A refreshed Health & Wellbeing Strategy ‘EPIC You’ is being rolled out which comprises of initiatives and activities aimed at improving organisational effectiveness and organised around four key themes

- Healthy Lifestyle
- Mental wellbeing
- Focus on Musculoskeletal (MSK) Health
- Health & Safety

Absence Management continues to be monitored at Member and Corporate Leadership level and is a key improvement target. A refreshed policy is being developed for implementation 2019/20 that supports positive attendance and support for improvements for Directorate and overall council level targets.

A Member Training Plan has been developed with a refreshed induction programme for all new Members for 2019-20 and an annual training programme based on learning needs analysis undertaken in November 2018. The Member Development Steering Group continues to meet on a regular basis to agree priorities for development and review and evaluate learning and development programmes.

CIPFA SOLACE Principle F	Key Elements of Trafford Framework
Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> • Financial Procedure Rules • Contract Procedure Rules • Treasury Management Strategy • Scrutiny Committees and Protocols • Risk Management Strategy & Policy Statement • Strategic Risk Register • Internal Audit Strategy • Accounts & Audit Committee

How we demonstrated effectiveness in 2018/19

The revenue budget for 2018/19, capital programme, treasury management and prudential indicators have been closely scrutinised and monitored throughout the year by senior management, Accounts and Audit Committee and the Executive; with an overall underspend being achieved and savings programme delivered on target.

Underlying pressures, predominantly in demand led social care services, have been accommodated in future year’s budget plans.

At the [Council Meeting 20th March 2019](#) the Council approved a revised Investment

Strategy and approval was given to increase the investment fund from £300m to £400m, supported by prudential borrowing, to support the Strategy. The strategy is to support economic regeneration and provide an investment return, supporting the Council's financial resilience and offering an additional solution to address future budget gaps.

To mitigate the risks of the approach nationally recognised investment advisors are being used as part of the due diligence process with emphasis placed on securing investments in low risk assets, with a balanced portfolio. All investment decisions are subject to approval by the cross party Investment Management Board

Further risk mitigation is being undertaken through the creation of a "Risk Reserve" through the ring-fencing of an element of the returns and an allowance for debt repayment (in accordance with national regulations).

The budget for 2019/20 was approved by the [Executive 20th February 2019](#) and set out the Council's Medium Term Financial strategy 2019/20 to 2021/22 including income and savings proposals to address the funding gap of £45.88m over next 3 years. The plan is a rolling document which is updated as changes in assumptions and conditions are known. (See Section 5.3 Significant Governance Issues 2018/19 - Medium Term Financial Position / Savings).

The annual Budget Scrutiny exercise took place during December 2018 with the report being submitted to the [Executive 28th January 2019](#). The Executive's response to the process was delivered to the [Scrutiny Committee 14th March 2019](#).

The Council continues to regularly review and monitor its Strategic Risk Register with update reports presented to CLT and the Accounts & Audit Committee. The report given to the [Accounts and Audit Committee 26th March 2019](#) identified 14 strategic risks faced by the Council, each risk being managed by nominated staff / groups within the Council. This included a strategic risk in relation to the potential impact from Brexit (See 2019/20 significant governance issues).

Trafford's Information Governance (IG) activities have focused heavily on GDPR Implementation and completion of the new Data Security and Protection (DSP) Toolkit. GDPR activities included; training and awareness activities (e-learning and workshops), internal communication and awareness campaigns, further work refreshing privacy notices to meet transparency requirements, privacy by design and default through the development and implementation of a Data Protection Impact Assessment template and procedure, and further work developing the Records of Processing Activities. There is further work to be done and the council's priority moving into 2019-20 will be embedding GDPR as business as usual.

The Authority continues to monitor risks in relation to Cyber security. The authority has completed the PSN assessment including an independent penetration test on both the internal and external network; and there are a number of actions which need

to be completed prior to Trafford achieving compliance. These are due to be complete by the end of May at which point we will re-submit for compliance. The Council was assessed as 'standards not fully met (plan agreed)' against the new DSP Toolkit used to assess compliance with expected data security standards. The plan will address four areas where the Authority's processes are to be strengthened and this work is due to be completed by September 2019.

The DSP Toolkit exercise resulted in a number of positive developments. A comprehensive IG work plan has been drafted linking in to Toolkit requirements and the council's information security and Cyber agenda. Pieces of work have been identified covering areas including information assets and data flows, data quality, contracting, and due diligence along with a refresh of the Information Security Governance Board, which will strengthen the overall Information Assurance position and ensure robust oversight.

A third party service provider continues to provide additional ICT security capacity and expertise, manage the firewall parameters, and provide accredited security advice. A detailed assessment of the Authority's cyber security processes against a recognised best practice framework is to be undertaken during 2019/20 as part of the Authority's internal audit plan. Any recommendations will be formulated into an improvement plan.

The Council has identified where further work is required to ensure it maintains effective business continuity management and to ensure robust data recovery processes in place. This work will be progressed during 2019/20.

The Internal Audit 2018/19 work plan incorporated coverage of a number of key financial systems and other business risks. Updates of work undertaken were provided to the Corporate Leadership Team and the [Accounts and Audit Committee](#) throughout the year. The Annual Report of the Head of Internal Audit for 2018/19 states that:

"Based on internal audit review work undertaken in 2018/19, the Internal Audit Opinion is that, overall, the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard but there are, however, some areas for improvement. Follow-up internal audit work in areas previously reviewed demonstrates that progress is being made to improve controls and address risks previously identified, although further action is required in respect of some areas reviewed. Where areas for improvement have been identified during 2018/19, actions have been agreed with management to be followed up in 2019/20. In terms of external inspection, it is noted that following the Ofsted review of Children's social care services, which provided ratings of "inadequate" or "requires improvement to be good" across areas reviewed, an improvement plan is being produced in early 2019/20 to address the issues raised."

The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit. Internal Audit

operates in general conformance with the Public Sector Internal Audit Standards.

Following their appointment as the Council’s External Auditors to audit the accounts of Trafford Council for five years, for the accounts from 2018/19 to 2022/23, Mazars LLP provided regular updates to the [Accounts and Audit Committee](#) throughout the year. This included its work plan for the completion of the audit of the 2018/19 accounts and value for money conclusion.

In 2018-19, STAR Procurement continued to provide the shared procurement service for Stockport, Trafford and Rochdale Councils as well as its new partner, Tameside Council and wider GMCA public sector partner organisations. During the period it delivered savings in excess of £6.9m. It has driven local spend improvement as part of a pilot for Rochdale which will be built into the work plan for 19/20 for all partners. STAR co-hosted a joint-Council ‘meet the buyer’ event in November 2018 to share forthcoming opportunities with local suppliers and Small or Medium sized Enterprises. STAR continued to support its Councils with the capture of Social Value through the procurement of third party contracts with the launch of the new Social Value Portal.

CIPFA SOLACE Principle G	Key Elements of Trafford Framework
Implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> • Council Website • Freedom of Information Publication scheme • Trafford Partnership Data Lab • Marketing and Communications Team • Annual Financial Statements • Annual Governance Statement • Annual Scrutiny Report • Annual Delivery Plan
How we demonstrated effectiveness in 2018/19	
<p>The External Auditor’s Annual Letter 2017/18 was presented to Accounts & Audit Committee 31 October 2018 providing an unqualified opinion on the financial statements and identified that in all significant aspects, the Council put in place arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018. Findings from the 2018/19 audit will be reported to the Accounts and Audit Committee in July 2019.</p>	
<p>Trafford are continuing to work towards completing the action plan and meeting the target that was set for Delayed Transfers of Care following the local system review by the Care Quality Commission (CQC) in 2017/18. The CQC conducted a follow up review in November 2018 and noted the improvements that had been seen in October 2017 continued and the system was working well to deliver further improvements through the Local Care Alliance. This work is being monitored by both Trafford’s Health and Wellbeing Board who received an update 11th January 2019 and the Trafford Health Scrutiny Committee which last received an update 25th</p>	

September 2018.

During 2018/19 80% of Freedom of Information requests received responses within the statutory timescale of 20 working days. FOI reports are produced and circulated to senior managers weekly. The council will continue to monitor compliance closely. Performance reports are shared with CLT on a regular basis with the target to increase the Council's compliance rate above 90%.

An annual Scrutiny report was not written for 2017/18 as the Council was implementing the recommendations from the scrutiny review that had been conducted that year and which was presented to the [Executive 19th March 2018](#). Following the Executive's response, an action plan was created and over the course of the year all the actions have been completed with the exception of having additional training which will be completed by the end of June 2019. In addition to completing the review the Overview and Scrutiny Committee and the Health Scrutiny Committee had busy work programmes which were agreed at their meetings on the [4th July 2019](#) and [26th June 2019](#) respectively.

A Children and Young People's Scrutiny Committee was created which looked at a number of issues relating to education, social care, commissioning, and partnership activity over the Course of the year. The Committee also started a detailed assessment of the Council's Special Educational Needs and Disabilities offer and support services. This Task and finish group will be continuing into the 2019/20 municipal year. The Overview and Scrutiny Committee completed a task and finish group looking at the One Trafford Partnership and the Health Scrutiny Committee completed a task and finish group looking at Period Poverty. The reports from both of these pieces of work went to the [Executive meeting 18th March 2019](#) and the executive responses are expected early in 2019/20.

Information on the Council's decision making is open and transparent and published on the website. The Council continues to publish a range of open data through its website, data.gov.uk and the Trafford Data Lab's website (trafforddatalab.io). It also publishes data on grants to voluntary and community organisations on 360Giving.

4. Review of effectiveness

- 4.1 Trafford Council's Corporate Governance Code sets out the Authority's responsibility to undertake a review of the effectiveness of its governance framework on an annual basis. The review is informed by the work of the Council's executive managers, the Head of Internal Audit's annual report, by the external auditor's comments, and the results of reviews and inspections.
- 4.2 The processes applied, the sources of assurance obtained in maintaining and reviewing the effectiveness of governance arrangements, and, as part of that, the systems of internal control include the following:

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

4.3 These governance functions are described in more detail within the Council's Corporate Governance Code and specific assurances or improvements delivered during 2018/19 are detailed in Sections 3 and 5 of this Statement.

4.4 The review of the effectiveness of the governance framework by the Accounts and Audit Committee concluded that the arrangements continue to be fit for purpose in accordance with the governance framework. The areas which have been addressed and those which are to be addressed with new actions are set out in Section 5.

5. Significant Governance issues

- 5.1 The Council takes its responsibilities and duties seriously with regard to ensuring continuous improvement in the way that its functions are exercised and in the consideration of economy, efficiency and effectiveness.
- 5.2 In the 2017/18 Annual Governance Statement a number of significant governance issues were identified. Below are the details of those significant governance issues followed by the action that the Council has taken in 2018/19 to address them.

2017/18 Significant Issues	Action Taken 2018/19
<p>Medium Term financial position / savings</p> <p>Action is needed to identify how the remaining budget gaps of £6.25m and £8.85m will be met in 2019/20 and 2020/21 respectively.</p> <p>In the longer term it is still the ambition that Vision 2031 will deliver sustainable benefits but the significant pressure in the short term caused by inflationary increases in pay, cost of goods and services and the spiraling social care costs causes significant financial pressure to continue to deliver sustainable budget savings. The integration with the CCG and the transformational activity to service delivery, pump-primed with Transformation Funding should alleviate some pressure in the sector. The Investment Strategy will also provide an alternative income stream that will help to balance the budget in the short term.</p> <p>Business rate growth continues to be a significant source of funding to the council but this carries its own risks given the reset of business rate baselines in 2020/21 when a new 75% retention</p>	<p>During the course of 2018/19 the MTFP was continually reviewed to reflect changes in budget assumptions around pay and price inflation, changes in Government funding and growing demand pressure on social care services. This exercise identified an overall budget gap for the three year period from 2019/20 of £45.88m, including £13.44m for 2019/20.</p> <p>The budget gap in 2019/20 was met by a combination of new funding and income of £9.86m, including:-</p> <ul style="list-style-type: none"> ○ A 3.99% increase in the council tax (2.99% general increase and 1% for adult social care) £3.79m; ○ Net income from investment properties as part of the developing Investment Strategy £1.63m; ○ Additional MAG dividends and shareholder loan returns £1.5m; ○ Use of Budget Support Reserve £2.80m; ○ Other £0.14m ○ savings programmes of £3.58m.

2017/18 Significant Issues	Action Taken 2018/19
<p>scheme will be introduced. Work is also underway on a new system of fair funding from 2020/21 which will involve a full review of the cost of providing services locally and the Council continues to play a part in this review.</p>	<p>The level of business rate revenues now supporting the budget give rise to a significant risk in 2020/21 when the national reset of business rate baselines will take place and therefore part of our reserves strategy over the next two years continues to reflect this risk and where possible resources will be retained to mitigate this.</p> <p>As of 31/03/2019 an amount of £5.5 will be left in the Budget Support Reserve to support the MTFS in later years.</p> <p>The remaining budget gap after the current round of budget proposals is £15.71m and £12.81m in 2020/21 and 2021/22 respectively.</p>
<p>Delivery of 'Together Trafford-Vision 2031'</p> <p>The 'Vision 2031' seeks to secure improved outcomes for individuals and communities in Trafford and relies on our partnership with key agencies, and through engagement with voluntary, community and faith organisations.</p> <p>Vision 2031 consists of a number of major programmes and other projects. These include:</p> <ul style="list-style-type: none"> - Public Service Reform - Health and Social Care Integration - The Social Care Sustainability Programme - The Investment and Place Shaping Programme 	<p>As stated above in the Executive Summary the Vision 2031 programme was discontinued following the Council's change in leadership and organizational structure with the new Corporate Plan.</p> <p>The Health and Social Care integration is covered in the Trafford Council Trafford CCG integration section below.</p> <p>In relation to Public Sector reform a great deal of activity was undertaken in 2018/19 across the authority around specific themes such as School Readiness, Social Prescribing and Working Well.</p> <p>Trafford has continued to embed the place based working</p>

2017/18 Significant Issues	Action Taken 2018/19
<p>These form major programmes of work with a dependency also on delivering a sustainable health and social care system.</p> <p>Each requires specific and additional capacity to secure the outcomes; Some of the funding to do this has been sought through the GM Transformation Fund but is linked to milestones and outcomes.</p> <p>A programme of work is being scoped in detail and from that flows the resource requirements that seek to secure a sustainable organisation in the future and ensure that all Trafford residents can benefit regardless of demographic background and whether that's better health outcomes, better educational outcomes that help secure good quality jobs for Trafford residents.</p> <p>The significant challenge and risk intrinsically linked on the capacity to progress whole system change, investment and alignment with all our partners.</p> <p>Sustainability Programme Proposals will be brought forward as a matter of urgency to mitigate this risk wherever possible.</p>	<p>model in the north of the borough, using GM Reform Investment funding to put in place short term enabling roles such as Early Help team leaders and Place based integration workers to establish more consistent processes and support staff to work in new ways.</p> <p>Work has been undertaken to scope the opening of an Early Help Front Door and a whole borough workforce development programme for place has been launched, with over 700 staff having been trained to date.</p> <p>The PSR programme is system wide and long term so work across the programme to upscale and embed new ways of working remains a focus within the new Corporate Plan.</p>
<p>UA92 / Stretford Masterplan</p> <p>The Council's Refreshed Stretford Masterplan was approved by the Executive in January 2018 following a ten week public consultation. The plans will encourage significant private investment, maximise the impact of the University Academy 92 (UA92) concept to deliver an innovative higher education facility in Stretford/Old Trafford,</p>	<p>The Council has established a JV with Bruntwood to redevelop the former Kellogg's head office on Talbot Road, Stretford into the campus for UA92. The JV was granted planning approval for the change of use in 2018 and works are on site with completion in late summer 2019.</p> <p>UA92 is on track to open in September 2019 and accept its first cohort of students. Student recruitment is currently</p>

2017/18 Significant Issues	Action Taken 2018/19
<p>deliver new leisure facilities, facilitate improvements in public spaces, and support the delivery of new housing and town centre uses</p> <p>University Academy 92 (UA92) is being delivered in Trafford through a partnership between the Council, the Class of 92, Lancaster University, Microsoft, Bruntwood and Trafford College. UA92 is also supported by Manchester United and Lancashire County Cricket Club. The new UA92 Campus Quarter will be located on the former Kellogg's office site on Brian Statham Way/Talbot Road (acquired by the Council in 2017) and is being delivered by the Council in partnership with Bruntwood. A planning application will be submitted in Spring 2018 for the refurbishment of the building and the campus building will be leased by the Council/Bruntwood JV to UA92 and Microsoft. Further work to prepare a masterplan for the surrounding Civic Quarter area will be progressed in 2018.</p> <p>To secure the regeneration of Stretford Town Centre the Council will support the creation of more attractive and outward facing development, introduction of a wider mix of uses, development of the evening economy and delivery of new leisure and residential uses. The Council is progressing a CPO/land acquisition process in relation to land and buildings that are not currently in its ownership but required to deliver the Refreshed Masterplan. The delivery of further public realm improvements will provide a significantly enhanced gateway to the Town Centre, help to alleviate the severance caused by the A56 and Kingsway, and provide an</p>	<p>underway.</p> <p>In late 2018 the Council commenced consultation on the draft Civic Quarter Masterplan, setting out the ambitions for the area around Trafford Town Hall, including new and improved public realm, residential and commercial development and the relocation of Stretford Leisure Centre.</p> <p>In Autumn 2018 the Council consulted with residents in Stretford on priorities for the redevelopment of Stretford Town Centre. The results of the consultation are being used as part of the assessment of the next steps to bring forward development proposals in the town centre.</p>

2017/18 Significant Issues	Action Taken 2018/19
<p>improved physical environment.</p> <p>There are significant economic, social and community benefits that will be delivered through these regeneration proposals which are set out in more detail in the Refreshed Stretford Masterplan. The Council is committed to a process of ongoing consultation and engagement with the community throughout the delivery of UA92 and the Refreshed Masterplan proposals.</p>	
<p>Trafford Council and Trafford CCG Integration</p> <p>The Executive have agreed to a number of proposals to implement this programme. The Trafford Council Chief Executive has been appointed to the Accountable Officer for NHS Trafford Clinical Commissioning Group and agreed the further alignment of functions within Trafford Council and NHS Trafford Clinical Commissioning Group.</p> <p>A period of assurance in relation to financial resilience of both organisations is being carried out by the Accountable Officer and Joint Chief Finance Officer and a further report will be brought back to Executive in the summer to update on progression of these proposals.</p>	<p>The Integration Programme has evolved following the change of Political and Corporate/Senior leadership. The Executive and CCG Governing Body agreed to take a different approach that required the re-establishment of both a Council Chief Executive and CCG Accountable Officer. Both these positions have been filled and a new vision of integration will be emerging in 2019/20.</p> <p>There is still a clear mandate from Greater Manchester that we have a Strategic Commissioning Function (SCF) and now a clear direction of travel on this programme of work that is needed to support this function. Part of this has been the establishment of the Integrated Commissioning Directorate (ICD) which is a joint function between the two organisations with a joint post overseeing this function.</p> <p>A key strategic objective was to co-locate the CCG from Crossgate House in Sale to Trafford Town Hall, this was successfully achieved in March 2019 and is seen as an enabler to further integration of our commissioning teams and</p>

2017/18 Significant Issues	Action Taken 2018/19
	<p>an opportunity to test out new ways of working.</p> <p>The SCF programme also now has 3 Senior Responsible Officers (SROs) to ensure the strategic leadership necessary to ensure a holistic approach to our integrated commissioning. These posts are the Corporate Director of Commissioning, the Corporate Director of Adult Services and the Corporate Director of Children's Services.</p> <p>Due to the progress that has been made on the programme during the year, setting the governance structure (detailed in section C) in place and the appointment of a new programme manager Trafford Council and Trafford CCG integration is not a significant governance issue for 2019/20.</p>
<p>Business Continuity</p> <p>This was carried forward due to the level of progress made in 2017/18. A number of actions still needed to be actioned</p> <ul style="list-style-type: none"> • Business Continuity and Disaster Recovery • Back-up Solutions • Identification of a Disaster Recovery Site <p>A report on the actions and timescales was submitted to the Corporate Leadership Team in early 2018/19.</p>	<p>The internal audit assessment was reviewed in 2018. There remains substantial work to progress the previous audit recommendations, of which 9 are still in progress and 4 yet to be implemented.</p> <p>The lack of robust Disaster Recovery is still a high risk to the Authority. Business Continuity Plans cannot be considered fully operable without a robust and tested ICT Disaster Recovery plan in place. ICT have been reviewing options for collaboration in relation to a secondary DR site and are currently soft market testing a hosted solution via a third party with a decision expected to be reached by early 2019/20.</p> <p>The Emergency Planning Manager and Work Force Development are working together to develop an e-learning package to provide learning and guidance for all staff</p>

2017/18 Significant Issues	Action Taken 2018/19
	<p>responsible for Business Continuity.</p> <p>The Council has undertaken a cloud readiness review in support of the GM Health and Social Care Partnership's Digital Strategy. The outcome of the review suggests the Council should adopt a cloud first approach; meaning the Council's systems and data should in future be hosted in the cloud where possible and practical. Cloud hosting would provide excellent resilience and disaster recovery capabilities, and provides high levels of security.</p>
<p>Investment Strategy</p> <p>The Executive approved an Investment Strategy to assist the Council in creating a balanced portfolio of investment assets in September 2017. The Strategy is fully aligned with the Medium Term Financial Plan and Capital Strategy, and sets out the scale and type of investments the Council will pursue in order to generate a financial return to support both the revenue budget and economic wellbeing of the Borough.</p> <p>The Council has put in place risk management arrangements, including appointing CBRE to provide investment advice on potential investments. Investment decisions are subject to full due diligence and made under the authority of the cross-party Investment Management Board.</p> <p>The Council will continue to manage this programme through the Investment Management Board and will continue to take professional advice. The Investment Strategy will be subject to an annual review, investment assets will be re-valued as required to as part of active asset management and appropriate management action will be taken as required.</p>	<p>The Council has continued to implement the Investment Strategy during 2018/19. The Terms of Reference for the Investment Management Board were revised to reflect the changed political make-up of the Council and to ensure cross-party membership, and the revised terms were approved by Council.</p> <p>CBRE have continued to be retained to provide independent expert advice on investment opportunities and on the investment strategy.</p> <p>The investment strategy has been reviewed to ensure it is compliant with relevant guidance. The revised strategy was approved by Council in February 2019 as part of the budget approval process.</p>

Significant Governance Issues 2019/20

5.3 The Council is committed to achieving its objectives through good governance and continuous improvement. Going forward, the Council will continue to ensure the effective delivery of its objectives and manages its resources to meet the ongoing financial challenges being faced. Detailed below are significant governance issues and actions planned to address these in 2019/20.

<p>Delivery of Corporate Plan</p>	<p>The Corporate Plan was agreed at Council 20th March 2019 and since this time the Directorate Plans have been developed. The Corporate and Directorate Plans are at the core of the Council's performance management framework and are designed to deliver the Council's Corporate Vision. The Directorate Plans and performance measures are being developed and will be reviewed by the Corporate Leadership Team monthly and presented to Executive twice a year. The Transformation, Performance and Resources Group and the Assistant Director Corporate Strategy and Policy will be involved in the annual budget and consultation process which will link in with the delivery of the plan and strategic priorities.</p> <p>The strategic priorities will be delivered on a partnership level through the Trafford Together priorities which have been adopted by the Trafford Partnership as a borough-wide community plan. The Partnership organisations will be focussing on what each of the 7 Priorities mean for them, what success looks like and how they are and will contribute to achieving them. A Trafford Partnership performance dashboard will be developed.</p>
<p>Medium Term Financial Position / savings</p>	<p>The size of the budget challenge for 2020/21 and later years remains significant, especially when put in the context of the level of savings delivered since 2010. This is compounded with the lack of transparency surrounding future local government funding levels and the impact of the expected full reset of the business rate baselines. Since 2013 the Council has benefitted from a growth in business rate revenues, above pre-determined baselines, to such an extent that the budget for 2019/20 is reliant on approximately £12m of additional funding from growth in retained business rates which are likely to be lost under a full reset. Financial planning will be extremely difficult during 2019 caused by the uncertainty of the reset of the business rate system and the review of the needs and resources distribution methodology, both anticipated to be effective from 2020/21 but with a prospect these could be deferred pending the outcome of Brexit negotiations.</p>

<p>EU Exit</p>	<p>The Council commissioned an independent review of the potential economic impact of Brexit on the Borough. The review considered the potential impact both in relation to an exit in accordance with the Prime Minister’s Withdrawal Agreement or on a No Deal basis. In both scenarios there would be an adverse effect on the Trafford economy, with No Deal have a greater negative impact. Trafford was also identified as being one of the worst affected local authorities due to the structure of the local economy which is export driven.</p> <p>In response the Council has appointed a senior officer to lead on assessing the impact of Brexit, and established a cross-directorate working group. This group has developed an action plan, taking into account the potential impact on the local economy and on Council services, both directly provided and commissioned, and potential mitigating actions.</p>
<p>Trafford Amey Contract</p>	<p>The Contract governance arrangements have been made far more robust over the last six months following the re-establishment of the Contract Management Group (CMG) and associated service delivery performance monitoring groups including Health and Safety.</p> <p>They all meet monthly and serve to inform the quarterly Governance Board which the Leader of the Council chairs. CMG and the service review groups examine in detail performance and service levels, based around an agreed key performance indicator framework that can be tangibly measured using agreed method statements and validation of prime documents or data systems.</p> <p>There is an emphasis on continuous improvement and performance deductions are applicable, either through self-deducting or through negotiation when shortfalls are identified by the Council or external means.</p> <p>Amey continues to suffer from unreliable service on occasions, often as a result of staff turnover and lack of available resource.</p> <p>As a result of this continued uncertainty over the long term reliability prospects for the partnership, the Council’s Executive, following a Scrutiny Committee Task and Finish report which went to the Executive 18th March 2019 , have determined that the Council should conduct an assessment of the feasibility of the following 3 options;</p>

	<ol style="list-style-type: none"> 1. Consider alternative models of service delivery, including the development of an In-House Service model, with a view to ending the contract with Amey. 2. Review the contract with Amey with a clear intent that there should be a wholesale reshaping of the contract and partnership between Amey and the Council. 3. Continue the Amey Contract and seek significant improvements to the delivery of existing services. <p>This feasibility study will be presented to Executive in July 2019 and a way forward determined around future service modelling.</p>
<p>The Trafford Together Way (place based working model)</p>	<p>In order to translate the new Greater Manchester model for unified public service delivery, which was launched and adopted in March 2018, into a meaningful model for Trafford, a new reform statement for the Trafford Partnership has been developed. The aim of this statement is to coalesce all partners around a simple narrative for Trafford's approach (as a borough and a Partnership) to the way we deliver services across our 4 neighbourhoods, based on our Butterfly model, in order to help us collectively deliver the Trafford Together priorities.</p> <p>Work will be done to communicate, share and embed the model across the Council and partners over the next year, overseen by the Partnership Public Service Reform Board whose role is as an enabler of change. This includes for example the roll out of the place based work for early help, commonly known as One Trafford Response.</p>
<p>Information Governance</p>	<p>The council has records management challenges to address both in relation to physical and electronic records. In terms of physical records, a substantial number of boxes were not catalogued or indexed prior to being placed in external storage and need to be reviewed in order to identify what records they contain and whether the information still needs to be retained. With regard to electronic records, in particular emails, a corporate approach to email archiving and retention is required as a substantial volume continue to be stored going back several years. These issues require addressing in order to ensure compliance with Data Protection requirements and will be addressed in reports to CLT with a range of measures and</p>

	<p>actions to be considered.</p> <p>The Council also has a significant volume of subject access requests outstanding, in particular in Children's Services. This is under review and a report is being produced setting out the position and how the council may be able to address the issue within existing resources or through the recruitment of additional resource. This issue requires addressing in order to ensure compliance with Data Protection obligations.</p>
OFSTED Report	<p>Trafford Children's Services were inspected in March 2019 and the report was published in May 2019. The report judges Trafford to be Inadequate overall with sub-judgements of Requires Improvement for Help and Protection, Requires Improvement for Care & Care Leavers and Inadequate for Leadership.</p> <p>An Improvement Board will be established and a detailed Action Plan will be developed to address the issues raised and implement improvement rapidly. Immediate actions include the appointment of additional agency social workers, the creation of an agency team to conduct case file audits and approval for additional agency early help workers. The full action plan will outline the longer term measures to be taken to address the issues and there will be formal reporting on progress to the Department for Education. There will now be quarterly Monitoring Visits by OFSTED to measure the impact of the actions taken.</p>
Business Continuity	<p>This is a continuing issue within the Council and a business case is being established to bring in external support from the GM Civil Contingencies Unit to support Trafford in this area. With their support Trafford will conduct a full audit of our current Business Impact Assessments and Business Continuity Plans and upskill senior staff across the organisation. It is hoped that once this has been undertaken processes and staff capability will be more robust.</p> <p>Once the work with the GM Civil Contingencies Unit is complete the Council will be able to deliver a Disaster Recovery solution that meets the recovery time requirements. In the meantime the Council is moving forward with establishing a suitable Disaster Recovery (DR) site as the current provision is not fit for purpose. Previous attempts at collaborations with other GM authorities have not materialised and the Council had been looking at a third party options for a DR Site. However, recent developments have offered a new possible low cost solution which the Council is exploring and hope to implement within 2019/20.</p>

The Council is committed to achieving its objectives through good governance and continuous improvement. Going forward, the Council will continue to ensure it delivers its objectives and manages its resources to meet the ongoing financial challenges being faced.

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

Councillor Andrew Western
Leader of the Council

Sara Todd
Chief Executive

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Audit Progress Report
Trafford Council
March 2019





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- 2. National publications**

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

- Completed our detailed interim audit work including:
 - Obtaining documentation of controls in the Council's key financial systems, including undertaking walkthrough testing of key controls to confirm our understanding of those systems; and
 - Testing transactions through the year to date to reduce the level of testing required at the final audit visit, and provide interim assurance on the material correctness of income and expenditure.
- Issued our 'Client Deliverable List' to the finance team, setting out the expected working papers and supporting information required to complete our final audit visit;
- Continued our detailed audit work for our 2018/19 VFM conclusion; and
- Held ongoing liaison discussions with management as part of our approach to maintain an accurate understanding of the Council for our 2018/19 audit.

Our detailed audit work will continue with our final audit visit which commenced on 3 June 2019.

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.

2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
National Audit Office (NAO)			
1	Planning for new homes	Overall assessment that planning system not working effectively.	6
2	Building Public Trust Awards – good practice in annual reports 2017-18	Examples of good practice in annual reports	6
3	Guidance for audit committees on cloud services	Guidance on use of cloud services	7
4	Framework to review programmes	Questions to ask when reviewing major programmes and projects	7
5	Round-up for Audit Committees	Summary of NAO publications for Audit Committees	7
Chartered Institute of Public Finance and Accountancy (CIPFA)			
6	An introductory guide to Local Government Finance	Updated guide which may be of interest to Members.	8
7	CIPFA Bulletin 03 Closure of the 2018/19 Financial Statements	Clarification of issues relating to the 2018/19 financial statements	8
8	Local Authority Capital Accounting - A Reference Manual for Practitioners	Practitioners guide to capital accounting	8
9	The Guide To Local Government Finance	Introductory guide to local government finances	9
10	Social Care Statistics 2017/18 Actuals	Analysis of adult social care expenditure	9
11	Code Of Practice On Local Authority Accounting In The United Kingdom 2019/20	Accounting requirements for 2019/20	10
12	An Introductory Guide to Housing Finance in England and Wales	Introductory guide to Housing Finance	10
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14	Local Government Application Note for the UK Public Sector Internal Audit Standards	Guidance for application of Internal Audit Standards	11

1. Audit progress

2. National publications

2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
Chartered Institute of Public Finance and Accountancy (CIPFA) (continued)			
15	CIPFA's Proposed Financial Management Code for Local Government – Consultation	Consultation on CIPFA's financial management code	12
16	CIPFA Service Reporting Code of Practice (SeRCOP) 2020/21: Service Expenditure Analysis – Consultation	Consultation on CIPFA's Service Reporting Code of Practice	12
Local Government Association			
17	Twenty-first Century Councils	Toolkit to help councils empower women, parents and carers to become local councillors and take on leadership positions.	13

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

1. Planning for New Homes, NAO, 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.

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

2. Building Public Trust Awards – good practice in annual reports 2017-18, May 2019

The Building Public Trust Awards recognise outstanding corporate reporting that builds trust and transparency. This interactive document illustrates a range of good practice examples across annual reports in both the public and private sector.

In 2018 the public sector award for excellence in public sector reporting was jointly won by the Crown Estate and the Ministry of Justice. This interactive pdf summarises the judging criteria based on the principles of a good annual report. The guide highlights examples of "what good looks like" in reporting on strategy, risk, operations, governance, success measures, financial performance, people factors, external factors and ensuring the report is understandable to its users.

<https://www.nao.org.uk/report/building-public-trust-awards-good-practice-in-annual-reports-2017-18/>

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

3. Guidance for audit committees on cloud services, April 2019

Public and private sector organisations are increasingly adopting cloud services with the aims of reducing costs, increasing efficiency and transforming their operations. Government policy supports this move but recognises that accessing systems through the internet can bring new contracting models and new challenges. Some organisations may lack the capacity or expertise to select the right product for their needs, implement it securely and manage it effectively.

The guidance provides an overview of cloud services and outlines government policy on their use. It then sets out specific questions for audit committees to consider asking when engaging with their management at three stages:

- Assessment of cloud services – looking at cloud services as part of organisational and digital strategies; the business case process; and due diligence.
- Implementation of cloud services – considering system configuration; data migration; and service risk and security.
- Management of cloud services – covering operational considerations; the need for assurance from third parties; and the capability needed to manage live running.

The guidance points to and complements detailed cloud guidance available elsewhere.

<https://www.nao.org.uk/report/guidance-for-audit-committees-on-cloud-services/#>

4. Framework to review programmes, April 2019

Major programmes are expensive, high profile and carry great uncertainties and risks. It is not surprising that many fall short of their objectives, in terms of cost and/or outcomes.

The NAO has completed about 140 reports on major projects and programmes since 2010. Based on this experience, this framework draws together the key questions the NAO ask when we review major programmes. It was developed for NAO value-for-money auditors to use when reviewing programmes, but may be useful for those seeking an overview of the NAO work on projects and programmes.

The questions are structured into four sections:

- Purpose: Is there a strategic need for the programme and is this the right programme to meet the business need?
- Value: Does the programme provide value for money?
- Programme set-up: Is the programme set up in accordance with good practice and are risks being well managed?
- Delivery and variation management: Are mechanisms in place to deliver the intended outcomes and respond to change, and is the programme progressing according to plan?

There are 18 key questions, each illustrated with examples of good practice and lessons learnt from previous NAO reports.

The Framework also outlines the NAO's related resources that provide further support for examining issues in more depth.

<https://www.nao.org.uk/report/framework-to-review-programmes/>

5. Round-up for Audit Committees, March 2019

This interactive round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and/or sectors.

<https://www.nao.org.uk/report/round-up-for-audit-committees/>

2. NATIONAL PUBLICATIONS - CIPFA

6. An introductory guide to Local Government Finance, February 2019

This introductory guide addresses the basic questions regarding how money flows, how budgets are set and where it is spent in local government. An understanding of these issues is essential to realising the current issues in local government.

This guide is aimed at helping local councillors, those working with and for local councils, and anybody with an interest in the sector to understand the complexity of local government finance.

The guide covers revenue and capital financing, financial reporting, governance and auditing as well as giving an overview of some of the key services provided by local councils.

This guide is available online only.

<https://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2019>

7. CIPFA Bulletin 03 Closure of the 2018/19 Financial Statements, March 2019

This bulletin covers the closure of accounts for the 2018/19 year and provides further guidance and clarification to complement the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners (Code Guidance Notes). It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2018/19 Code Guidance Notes.

Key areas covered include:

- A lengthy section of clarification on Financial Instruments, in particular the impact of the implementation of IFRS9 and IFRS15 on Local Authority accounts
- Streamlining the Accounts guidance
- Analysis of debtors and creditors
- EU withdrawal
- Guaranteed Minimum Pensions

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-03-closure-201819>

8. Local Authority Capital Accounting - A Reference Manual for Practitioners, April 2019

Intended to be read alongside other CIPFA publications, including the Code of Practice on Local Authority Accounting, the Guidance Notes for Practitioners and the Practitioner's Guide to Capital Finance in Local Government, this book demonstrates the requirements of capital accounting through fully worked and explained examples covering all the major transaction types and asset classes.

A comprehensive reference section, drawing upon frequently asked capital questions received by CIPFA's Finance Advisory Network, Technical Enquiry Service and TISonline discussion forum, provides further discussion of typical areas of concern.

There are top tips on the real-life application of the Code of Practice, including advice on the most effective use of financial systems, working with non-finance colleagues such as valuers, and getting through the external audit as smoothly as possible.

With clear cross-referencing to allow readers to follow a topic as it appeals to them, this publication provides unique insight and practical support in one of the most technical and demanding areas of local authority accounting.

This edition has been updated to reflect new statutory guidance and the suspension of arrangements for the recognition of the highways Network Asset. The opportunity has also been taken to add a few more frequently asked questions (FAQs).

<https://www.cipfa.org/policy-and-guidance/publications//local-authority-capital-accounting--a-reference-manual-for-practitioners>

1. Audit progress

2. National publications

2. NATIONAL PUBLICATIONS - CIPFA

9. The Guide To Local Government Finance, April 2019

This guide covers the current arrangements and provides insights into possible future changes at a time when political uncertainty makes future developments difficult to foresee.

Covering both revenue and capital financing, this guide provides the reader with an introduction to the technical complexities of funding each type of expenditure.

The publication is presented in dedicated service areas that have their own funding streams and financial complexities. These include:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.

For those requiring more of an introduction to local government finance, CIPFA also produces an Introductory Guide to Local Government Finance that summarises the key information in a way that is aimed at non-finance specialists and those new to the sector..

<https://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2019>

10. Social Care Statistics 2017/18 Actuals, April 2019

This publication provides a detailed analysis of adult social care expenditure analysed by support group, such as: physical support, sensory support, support with memory and cognition, learning disability support and mental health support.

Other information includes a breakdown of the total population by age group and number of resident weeks.

<https://www.cipfa.org/policy-and-guidance/publications/s/social-care-statistics-201718-actuals>

2. NATIONAL PUBLICATIONS - CIPFA

11. Code Of Practice On Local Authority Accounting In The United Kingdom 2019/20, April 2019

Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This 2019/20 edition of the Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2019.

The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority.

This edition of the Code introduces a number of important amendments relating both to context and an understanding of requirements, as well as changes in some of accounting requirements. In particular the following areas should be noted:

- Improved clarity regarding the specification of proper accounting practices, the Code's role in these, the impact of statutory accounting requirements on the annual accounts, and the manner in which they affect the presentation of local authority reserves, including the distinction between usable and unusable reserves
- Significant amendments to Chapter Two to reflect the revisions made by the IASB to the Conceptual Framework for Financial Reporting (Conceptual Framework)
- Changes relating to the previous Carbon Reduction Commitment Scheme and Landfill Allowances Schemes
- An additional section to address the treatment of the Apprenticeship Levy
- For Scottish authorities, recognition of the ability to present transfers to or from other statutory reserves, allowance for voluntary transfers between the Revaluation Reserve and the General Fund, and pension fund legislation amendments
- For Welsh authorities recognition of legislation changes relating to separate publication of pension fund accounts
- Amendments to Section 7.1 (Financial Instruments) arising from amendments made to IFRS 9 Financial Instruments
- Changes to group accounts requirements implementing scope clarifications for disclosure requirements.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-201920-book>

12. An Introductory Guide to Housing Finance in England and Wales, March 2019

The provision of social housing is a big issue for government and the public sector. Local authorities have a key role in responding to the needs of those in the community and understanding how the relevant finance structures work is vital if they are fully going to play their part.

Housing, and social housing in particular, has undergone many changes since the last edition of this title in 2011. The guidance looks at the current landscape for social housing and outlines the statutory duties placed on local authorities to provide housing for those in need. It looks at local housing strategies to address supply and working with the private rented sector. Chapters outline the policy agenda, consider the consequences of welfare reform, tackling homelessness and the consequences of the Grenfell Tower fire in 2017. Arrangements are no longer uniform across the UK and this edition provides a greater level of detail including where policies and practices in Wales differ.

The publication will be useful for local authority officers who have a need to understand the main financial principles that apply to providing housing services, as well as anyone working in housing provision or who is charged with scrutinising policy and practice.

<https://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-housing-finance-in-england-and-wales-2019>

2. NATIONAL PUBLICATIONS - CIPFA

13. Practitioners' Guide To Capital Finance, March 2019

This publication contains the background knowledge you need on capital finance and how to account for it. It summarises the key features of the systems of capital finance that operate under the Prudential Framework in England, Wales, Northern Ireland and Scotland.

It provides explanations and definitions of capital expenditure, credit arrangements and capital financing including minimum revenue provision (MRP) arrangements and local authority borrowing.

Its intention is to assist practitioners in managing the capital programmes of their authorities and in particular addressing the technical issues associated with the financing of the programme. It summarises the key capital finance implications of the Local Government Act 2003, the Local Government Finance Act (Northern Ireland) 2011, the Local Government in Scotland Act 2003 and associated regulations.

The publication uses worked examples throughout to allow practitioners to apply theoretical concepts to practical examples. In carrying extracts from the relevant legislation and the Prudential Code, the aim has been to produce a one-stop guide for both those with previous local authority capital finance knowledge and those new to the subject.

<https://www.cipfa.org/policy-and-guidance/publications/p/practitioners-guide-to-capital-finance-2019-edition>

14. Local Government Application Note for the UK Public Sector Internal Audit Standards, March 2019

This Application Note is aimed at those who play a significant part in shaping or managing the internal audit function within their organisations, including:

- chief executives
- chief financial officers and other senior management
- audit committees
- selected members within local government in the United Kingdom, as well as
- chief audit executives/heads of internal audit.

UK Public Sector Internal Audit Standards (PSIAS) have been developed to apply across the whole of the public sector in all sectors of government. The PSIAS are based on standards issued by the Institute of Internal Auditors (IIA), with additional requirements and interpretations that make them directly applicable to the UK public sector. The PSIAS are developed jointly by the relevant internal audit standard setters (RIASS) for central government, local government, devolved government administration bodies and the National Health Service (NHS). The PSIAS set out requirements which apply generally to all UK public sector engagements, but do not include any sector requirements or guidance for specific parts of government.

CIPFA has been designated as the RIASS for local government. CIPFA recognises the need to supplement the PSIAS with additional information and guidance on the requirements and practice of internal audit in the local government environment, and this Application Note provides that guidance.

Included with the Application Note is an authoritative checklist for measuring the performance of internal audit against the requirements of the PSIAS and the Application Note, in line with PSIAS 1300 Quality Assurance and Improvement Programme. The checklist can be used for both the internal and external assessments required in PSIAS 1300-1322.

<https://www.cipfa.org/policy-and-guidance/publications//local-government-application-note-for-the-uk-psias-2019-edition>

2. NATIONAL PUBLICATIONS - CIPFA

15. Consultation on CIPFA's Proposed Financial Management Code for Local Government, March 2019

Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by regulation. The general financial management of a local authority, however, has not been supported by a professional code. CIPFA is now proposing that a Financial Management Code (CIPFA FM Code) should be designed and developed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

The CIPFA FM Code would therefore for the first time set standards of financial management for local authorities in the UK. The draft FM Code is based on a series of principles supported by specific standards and statements of practice. They are considered necessary to provide the strong foundation within local authorities to enable them to:

- financially manage the short-, medium- and long-term finances
- manage financial resilience to meet foreseen demands on services
- financially manage unexpected shocks in their financial circumstances.

The draft FM Code is consistent with other CIPFA codes and statements in that it is based on principles rather than prescription. Each local authority (and those bodies designated to apply the FM Code) must demonstrate that the requirements of the FM Code are being satisfied. Demonstrating this compliance with the CIPFA FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team.

Significantly, the CIPFA FM Code builds on the success of the CIPFA Prudential Code, which requires local authorities to demonstrate the long-term financial sustainability of their capital expenditure and associated borrowing. With this success came new financial freedoms to make local decisions on matters that had hitherto been subject to central government control.

The draft FM Code is not expected to be considered in isolation, and accompanying tools will form part of the collective suite of evidence to demonstrate sound decision making.

To date, the draft FM Code has been developed with a specified governance process which includes practitioners, auditors and representatives of governments across the UK. It was then 'road tested' by a range of local authorities to provide early evidence of both practicality and fitness for purpose. Now, CIPFA is seeking to consult more widely and consequently invites comments on the draft FM Code. Note – the consultation closed on 30 April 2019.

<https://www.cipfa.org/policy-and-guidance/consultations/financial-management-code-consultation>

16. CIPFA Service Reporting Code of Practice (SeRCOP) 2020/21: Service Expenditure Analysis (SEA), March 2019

The SEA sets out a framework for reporting local authority service expenditure. This structure is an important factor in determining and defining the information that are collected in the CIPFA statistics and also government returns such as the RA/RO, Section 251 and ASC-FR. Effectively revising the SeRCOP SEA and keeping it fit for purpose is about finding a consensus across these many considerations and the various stakeholders. It is therefore essential to gather a broad base of opinion to inform this process. Note – consultation close on 10 May 2019.

While ensuring the accuracy of the current structure and the definitions therein is important, CIPFA are keen to challenge the usefulness of the analysis in the following ways:

- Do the expenditure divisions reflect how services are delivered and organised in practice?
- Do the service divisions provide the basis for robust, reliable, consistent and comparable information?
- Is the number of mandatory and discretionary levels about right in your service area?
- Are they well balanced in terms of the proportion of total costs in each division?
- Does the current breakdown help you in your benchmarking, policy or value for money analysis?

<https://www.cipfa.org/policy-and-guidance/consultations/cipfa-service-reporting-code-of-practice-sercop-2020-21-service-expenditure-analysis-sea>

2. NATIONAL PUBLICATIONS – LOCAL GOVERNMENT ASSOCIATION

17. Twenty-first Century Councils, March 2019

This toolkit has been developed to help councils create the underlying policies, procedures, ethos and environment that encourages and empowers women, parents and carers to become local councillors and take on leadership positions.

The Local Government Association is encouraging councils to consider their existing practices, celebrate what is working, share good practice and take action to support councillors who are women, parents and carers.

The equal participation of women and men in local politics, as our elected councillors and as our leaders, is an important condition for effective democracy and good governance. Representative councils are best able to speak to, and for, their communities and to support the effective business of local government. Democracy and decision-making are strengthened when councillors reflect the people they seek to serve and represent.

<https://www.local.gov.uk/twenty-first-century-councils>

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Mrs Sara Todd
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 M32 0TH

Direct line + 44 (0)161 238 9248
 Email Karen.Murray@mazars.co.uk

23 April 2019

Dear Mrs Todd

Trafford Metropolitan Borough Council – External Audit Fees 2019/20

Public Sector Audit Appointments Ltd (PSAA) has consulted on its scale of fees for 2019/20. It has not made any changes to the work programme for 2019/20 and scale fees remain at the same level as the previous year. The scale of fees is published at:

<https://www.psaa.co.uk/audit-fees/2019-20-audit-fee-scale/individual-scale-fees-for-local-government-bodies/>

Fees

The table below includes our proposed fee, which is in line with the scale fee.

Audit area	Scale fee (2019/20)	Proposed fee (2019/20)	Provisional fee (2018/19)*
Audit of the accounts and VFM conclusion	£ 91,008 plus VAT	£ 91,008 plus VAT	£95,330 plus VAT

**Subject to completion of the 2018/19 work. This comprises the scale fee £91,008 plus £4,322 for additional work agreed with the Corporate Director of Finance and Systems following an enquiry from an elector.*

The scale fee assumes that you provide us with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes. It also assumes that the level of risk and complexity associated with your financial statements remains unchanged and that we do not identify any new risks to our VFM conclusion. Where we need to undertake work additional to that planned as part of the fee-setting process, we will communicate with you and PSAA about our fee in line with the requirements of PSAA’s Terms of Appointment which are available from their website.

At this stage, we have not been engaged to undertake any non-audit work, such as grants assurance, for 2019/20.

Mazars LLP – One St Peters Square - Manchester - M2 3DE
 Tel: +44 (0) 161 238 9200 – Fax: +44 (0) 161 238 9201 – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.

VAT number: 839 8356 73

Outline of work programme

The proposed audit fee covers:

- the audit of your financial statements and group financial statements;
- work to conclude on your arrangements for securing value for money; and
- the assurance we are required to provide to the National Audit Office on the consistency of your Whole of Government Accounts return with the audited financial statements.

If required, we will address any legal challenge work prompted by local electors at the rate prescribed by PSAA.

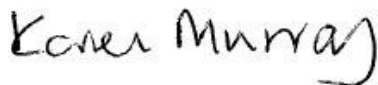
At this stage we have yet to complete our risk assessment for 2019/20 and we will issue our Audit Strategy Memorandum in early 2020. This will communicate to you the risks that we identify in relation to the work programme outlined above and the action we plan to take in response.

Our method statement

Our contract with PSAA contains a method statement which sets out our commitment to deliver quality audit services, our audit approach and what you can expect from us. We have included a summary of our method statement as Appendix 1 to this letter. This is provided as a benchmark for the Council to provide feedback on our performance as its auditor when PSAA issues its satisfaction survey later in 2019.

If you have any queries about the content of this letter, please do not hesitate to contact me or your engagement manager, Tommy Rooney.

Yours sincerely,



Karen Murray
Director

cc Nikki Bishop – Corporate Director of Finance and Systems

Appendix 1

Public Sector Audit Appointments Contract Method Statement

Trafford Metropolitan Borough Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which started in 2018/19. PSAA appointed Mazars LLP as auditors, and is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. A summary of the four key themes in our method statement is shown below. It is provided as a guide and reference for liaising with us, and a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

Key theme 1 – Knowledge, technical competence and understanding

Your audit team will understand the public sector and the environment within which you operate. They will develop and maintain a deep understanding of your organisation, the opportunities available to you and risks which you are facing. They will do so principally to enable them to discharge their responsibilities under the Code of Audit Practice as effectively as possible, but also to provide constructive challenge and support to your officers and members.

Mazars is committed to the continuing development of all our staff and members of your audit team will access training and development opportunities specifically for their role as public sector auditors. They will also be supported by a team of specialists in public sector audit and financial reporting who are experienced in providing guidance to clients and auditors, and to providing leadership on emerging issues across the sector.

Key theme 2 – Quality and efficiency

As explained in our [Transparency Report](#), Mazars is a firm that is committed to quality in everything that we do and this is the core message that underpins our public sector audit work. We have a central team dedicated to supporting our public sector auditors to deliver high-quality services to all clients. You can expect your audit team to have access to the latest technical information, bespoke audit tools developed specially for the sector and access to a suite of specialist training courses.

The way in which we communicate with you and your officers fosters a working relationship built on mutual trust and the objective to deliver a high-quality and efficient audit. Our audit team will work alongside your finance team to ensure a flexible approach to audit resourcing so that we deliver our work when it is convenient with you, as far as statutory deadlines allow.

We are also committed to supporting improvements in the sector, harnessing our knowledge and information gathered from across our public sector and corporate client base. This can be as simple as holding post-implementation meetings with officers following completion of the audit, through to benchmarking and detailed reviews of areas of risk, delivered as part of our Value for Money responsibilities.

Key theme 3 – Openness and Communication

We value open and honest two-way communication with our clients as we believe that without it, you cannot develop an effective and professional working relationship. You will have access to senior members of your audit team, including the Key Audit Partner and Engagement Manager, at appropriate times throughout the audit cycle. They will be on hand to discuss emerging issues and will work with you and your teams to understand your business, the risks you are facing and the support we may be able to provide.

Your audit team will be available to provide initial views on proposed accounting policy changes, complex or unusual transactions and other matters that may impact upon our opinion on your financial statements or our Value for Money conclusion. Our technical specialists will provide your finance team with an annual financial reporting workshop that will guide them through changes in the CIPFA Code and underlying accounting standards, and provide them with an early view on areas of audit focus.

We understand the importance of effective communication with the Audit Committee, and will ensure that our reports to them are timely and written in an easily understood, jargon-free manner. We will always ensure that a senior member of your audit team attends Audit Committee meetings.

Key theme 4 – A commitment to social responsibility and social value

We are committed to public sector audit and assurance work, and have set out our commitment by establishing Public Services as one of our core strategic markets. In order to deliver high-quality services to our clients, we understand the need to have skilled and knowledgeable team members and will develop the next generation of public sector auditors and accountants through continuing and expanding our graduate traineeship and school-leaver programmes. We have set targets to ensure that a significant proportion of our entrants through these programmes come from disadvantaged backgrounds that are traditionally under-represented in the accountancy profession. These targets include:

- Taking on an additional 10 Access Accountancy interns in every year of our PSAA contract, taking the total to 30 per year;
- Employing 10 graduates onto our accounting trainee programme, including at least 4 from disadvantaged backgrounds; and
- Increasing the number of entrants to our firm through our school-leaver programme which is focused on attracting candidates from disadvantaged backgrounds.

Your audit team will be actively involved in the corporate social responsibility work that we undertake as a firm. As part of our contract with PSAA, we have committed to granting all of our public sector audit staff an additional day to get involved in charitable and other projects that contribute to their local areas.

Mazars will also be a founding member of the Centre for Social Value which will promote learning on effective local interventions to reduce social inequality and improve social mobility. As one of our clients, you can expect to have opportunities to contribute to research and programmes implemented by the Centre.

TRAFFORD COUNCIL

Report to: Accounts & Audit Committee 19th June 2019
Executive 15th July 2019
Council Meeting 17th July 2019

Report for: Information

Report of: The Executive Member for Finance and Investment
and the Corporate Director of Finance and Systems

Treasury Management Annual Performance 2018/19 Report

Summary

This report outlines the treasury management activities undertaken during 2018/19 and the key issues are as follows:

- All legislative and regulatory requirements, including all treasury management prudential indicators have been complied with;
- The average level of external debt and interest rate payable for 2018/19 was £175.4m and 3.97% compared to 2017/18 when the respective figures were £118.4m & 5.11%;
- The average level of all investments for 2018/19 was £86.7m with a rate of return of 1.06%, for 2017/18 this was £77.6m and 0.82% respectively;
- Budget savings of £(0.6)m in net treasury management costs were achieved in the main from a loan restructuring exercise and delays in the uptake of new borrowing.

Recommendations

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

- That no prudential and treasury indicators were breached during 2018/19;
- The Treasury Management activities undertaken in 2018/19;

Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Relationship to GM Policy or Strategy Framework	Not applicable
Financial	The treasury management net outturn was £2.6m which was £(0.6)m below the original budget set of £3.2m. The main reason for this saving was due to reduced interest payable from a loan restructuring exercise together with delay in the uptake of new borrowing.
Legal Implications:	All actions undertaken during the year were in accordance with legislation, MHCLG Guidance, CIPFA Prudential Code and CIPFA Treasury Management Code of Practice.
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities. The Council's in-house treasury management team continually monitor to ensure that the main risks associated with this function of adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times.
Health and Safety Implications	Not applicable

Executive Summary

This report has been prepared in accordance with current legislation and Codes of Practice and highlights the treasury management activities undertaken during 2018/19.

Economic position (Section 2)

- The UK economic growth in 2018 was the 3rd fastest of the G7 countries.
- MPC raised the Bank Rate from 0.50% to 0.75% in August 2018, the first rise since November 2017.
- The 29 March 2019 deadline for the UK to leave the EU passed without an agreement and deadline for this is extended to 31 October 2019.

Debt (Section 4)

- Total loan debt rose from £164.4m 31.03.2018 to £220.7m at 31.03.2019 an increase of £56.3m comprising of:
 - New loans totalling £60.4m taken from the PWLB to fund the capital programme - details of these can be found at paragraph 4.14,
 - Natural loan repayments totalling £4.1m.
- The £20m RBS loan was restructured generating annual savings in loan interest of £0.48m – details for this can be found at paragraph 4.11 – 4.13.
- Loan interest totalling £6.6m was paid of which £1.1m was wholly funded from rental income received from the Council's Commercial asset programme.
- Average rate of interest payable was 3.97% in 2018/19 and compared to 5.11% in 2017/18 a fall of 1.14%.
- Level of under-borrowing is £30.9m at 31.03.2019 which represents a minor increase of £0.2m from the 31.03.18 closing position of £30.7m – details on this can be found at paragraph 4.10.

Investments (See Section 5)

- Total level of investments rose from £73.2m 31.03.2018 to £77.9m at 31.03.2019 a movement of £4.7m due to monies being received ahead of spend.
- The Rate of Return for all investments in 2018/19 was 1.06% which was 0.55% or £0.48m above the recognised performance indicator of 7-day LIBID and 0.07% or £81k above budget.
- Weighted average life of investments at 31.03.19 was 3.75months.
- All investments were repaid on time without issue and undertaken in accordance with the approved strategy.

Prudential Indicators and limits (Section 7 and Appendix E)

No breaches to any of these limits occurred.

1. BACKGROUND

- 1.1 In accordance with regulations issued under the Local Government Act 2003, the Council is required to produce an annual report outlining the previous year's actual treasury management activities undertaken and prudential and treasury indicators.
- 1.2 This report has been produced in order to comply with all legislation together with the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 1.3 During 2018/19, the Accounts & Audit Committee together with the Executive and Council received the following three reports:
 - annual treasury management strategy for the year ahead (issued February 2018);
 - mid-year update report (issued November 2018);
 - annual outturn report describing the activity undertaken (June 2019 i.e. this report).
- 1.4 Details of the outturn position for treasury activities and highlights of the Council's compliance with the policies previously approved are detailed within this report enabling Members to fulfil their regulatory responsibility for the review and scrutiny of treasury management policies and activities.
- 1.5 I can confirm that prior scrutiny of all the above treasury management reports has been undertaken by the Accounts & Audit Committee before they were reported to Council.
- 1.6 Figures in this report are based on the actual amounts borrowed and invested and as such will differ from those stated in the final accounts which are shown in compliance with International Financial Reporting Standards.
- 1.7 For reference a list of abbreviations used within the report has been provided and can be found in Appendix F.
- 1.8 This report comprises of the following sections:
 - Major Economic Headlines 2018/19 (Section 2);
 - Treasury Position (Section 3);
 - Borrowing Position (Section 4);
 - Investment Position (Section 5);
 - Related Treasury Issues (Section 6);
 - Prudential and Performance indicators (Section 7);
 - 2018/19 Summary Outturn position (Section 8)
 - Appendices.

2. MAJOR ECONOMIC HEADLINES 2018/19

- 2.1 A brief summary of the main events which occurred during 2018/19 are highlighted below for reference;

UK

- Despite weak economic growth in the first and last quarters of 2018, a pick-up in quarters 2 and 3 ensured annual growth of 1.4% was generated making the UK the third fastest growing country in the G7.
- In August the MPC at its monthly meeting raised Bank Rate by 0.25% from 0.50% to 0.75%, the first increase since November 2017 with any further movements currently put on hold until the uncertainties over Brexit become clear.

- CPI continued to fall reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February where it remained in March. The February 2019 Bank of England inflation report continues to predict that CPI will, over the next couple of years continue to be marginally above its target rate of 2%.
- The unemployment rate continues to fall and in February 2019 was 3.9%, down 0.3% from its opening position of 4.2% in April 2018, the lowest level since 1975.
- The UK had been due to leave the EU on 29 March 2019, however as a result of Members of Parliament rejecting on three separate occasions the proposed withdrawal agreement reached between the EU and UK, a further six-month extension until 31 October 2019 has now been implemented.

USA

- In response to President Trump's substantial easing of fiscal policy in 2018 the overall economic growth for the year was 2.9% which was marginally below the target of 3.0%.
- The FOMC in December 2018 increased for the 4th time in 2018 the Central Rate by 0.25% to 2.25% – 2.50% a level deemed by the financial markets to be the peak.
- Unemployment fell marginally from an opening position of 3.9% in April 2018 to 3.8% in March 2019.
- CPI fell from its opening position of 2.5% in April 2018 to a 2.5 year low of 1.5% in February 2019 before finishing at 1.9% in March.

EU

- Economic growth in the EU for 2018 was 1.8% down from the 2017 figure of 2.3% and this trend is expected to continue with the 2019 growth forecasted to be 0.9%.
- The ECB left both the refinancing rate at 0.0% and its deposit rate at -0.4% a level of where both rates have been since March 2016 and are expected to remain throughout 2019.
- During 2018 the CPI increased marginally from an opening position of 1.2% in April to 1.4% in March 2019 with the unemployment rate falling from 8.4% to 7.8%.

Japan

- Consistent and significant GDP growth continues to be a problem with the annual growth figure for 2018 being 1.0% compared to 1.7% in 2017.
- CPI despite huge monetary and fiscal stimulus remains below the government's target of 2% falling by 0.1% to 0.5% in March 2019 from an opening position in April 2018 of 0.6%.

China

- The economy grew by 6.6% in 2018 compared to 6.9% in 2017 and was the lowest growth rate since 1990 despite repeated rounds of central bank stimulus.

World outlook

- World markets are currently apprehensive over the major economies weakening levels of growth for 2019 although it is generally thought that a recession will be avoided.

2.2 Within the 2018/19 treasury management strategy a forecast for interest rates was provided and from this it was expected that a minor increase in rates would occur. As highlighted in the table below this movement did take place and a more detailed analysis detailing how investment rates moved during the course of 2018/19 is provided for reference at Appendix A;

	2018/19	1 April 2018	31 March 2019	2018/19
	Forecast Average	Actual	Actual	Actual Average
	%	%	%	%
Bank Rate	0.58	0.50	0.75	0.67
Investment Rates				
3 month	0.50	0.59	0.72	0.68
1 Year	0.90	0.88	0.94	0.94
Loan Rates				
5 Year	1.50	1.89	1.57	1.84
25 Year	3.00	2.57	2.40	2.65

3. TREASURY POSITION

- 3.1 The Council's investment, debt and cash flow positions are managed by the in-house Treasury Management team who ensure that:
- All investments placed have been done so in accordance with the criteria stipulated within the current Investment strategy,
 - All borrowing has been carried out in accordance with the Council's current Debt strategy and Prudential Indicators (Authorised Limits and Operational boundary),
 - At all times adequate liquidity of funds are maintained to ensure all payments can be made on time thereby preserving the Council's reputation and
 - All of the above transactions are carried out in accordance with the current Scheme of Delegation.
- 3.2 In order to achieve these objectives, well established procedures and controls both through Member reporting and officer activity are in place and this was further confirmed when the Council's Audit & Assurance Service issued its annual report following their 2018/19 audit which stipulated that for the 12th year in succession, the treasury management service offered a High Level of Assurance, the highest level obtainable.
- 3.3 The table below shows the loan and investment positions at the beginning and end of 2018/19 for reference:

	31 March 2019			31 March 2018		
	Principal (£m)	Total (£m)	Interest Rate %	Principal (£m)	Total (£m)	Interest Rate %
DEBT						
Fixed rate:						
-PWLB	181.0			103.3		
-Market	24.7	205.7	3.26	21.1	124.4	3.69
Variable rate:						
-PWLB	0.0			0.0		
-Market	15.0	15.0	4.24	40.0	40.0	5.73
Total debt		220.7	3.33		164.4	4.19
CFR (to finance past capital expenditure)		251.6			195.1	
Over/ (under) borrowing		(30.9)			(30.7)	
INVESTMENTS						
- Fixed rate	45.3		1.07	30.8		0.78
- Variable rate	32.6		1.44	42.4		1.03
Total investments		77.9	1.22		73.2	0.92

Note – Details regarding the movement in debt are provided at paragraph 4.14 for reference.

- 3.4 Whilst the above table details the position as at the beginning and end of 2018/19, the average position for 2018/19 & 2017/18 were as follows:

	2018/19		2017/18	
	Principal	Interest Rate	Principal	Interest Rate
Average Debt	£175.4m	3.97%	£118.4m	5.11%
Average Investment	£86.7m	1.06%	£77.6m	0.82%

4. BORROWING POSITION

- 4.1 As highlighted in paragraph 3.1 above, part of the Council's treasury management activities is to address any potential borrowing required to be taken in order to fund the capital expenditure programme.
- 4.2 The in-house treasury management team organises the Council's cash position to ensure that sufficient cash is available to meet its spending plans together with its cash flow requirements. A part of this process may involve the take up of new loans from external bodies, such as the Government through the PWLB or the money markets. Before any new borrowing is taken out however consideration to utilising any temporary cash resources which may be available within the Council is undertaken and if this is deemed to be the best option, will be applied.
- 4.3 The Council's underlying need to borrow for capital expenditure is the CFR and this indicates the level of the Council's indebtedness. The CFR represents capital spend not yet paid for by revenue or other resources of the Council incurred from current and prior years' activities.

- 4.4 To safeguard the Council's finances, the level of CFR is not allowed to rise indefinitely and statutory controls are in place to ensure that any borrowing on capital assets is charged to revenue over their useful life. This annual revenue charge is the MRP and this reduces the CFR and effectively is a repayment of borrowing.
- 4.5 The total CFR can also be reduced by:
- the application of additional capital financing resources, (such as unapplied capital receipts) or
 - charging more than the statutory revenue charge MRP each year through a VRP.
- 4.6 The Council's 2018/19 MRP Policy, (as required by CLG Guidance), was approved by Members as part of the Treasury Management Strategy report for 2018/19 on 21 February 2018.
- 4.7 During 2018/19 the Council borrowed £60.4m from the PWLB to fund new capital expenditure which mainly related to the Council's commercial investment programme. All borrowing was undertaken in conjunction with the information obtained from the Council's advisors LAS, with all loan servicing costs being met from the existing revenue provision within the Medium Term Financial Plan or from a proportion of the investment returns generated from the Council's commercial investment programme.
- 4.8 All loans were taken at competitive rates of interest thereby ensuring value for money to the local taxpayers was achieved with details of the loans taken being shown at paragraph 4.14 below for reference.
- 4.9 Whilst £60.4m of new external loans were taken from the PWLB to fund a proportion of the Council's capital borrowing requirement, the policy adopted in previous years of temporarily using cash supporting the Council's reserves, balances and cash flow was also applied in 2018/19. This action was undertaken in conjunction with advice obtained from the Council's external advisers LAS and offers a prudent approach due to the low level of investment returns available when compared to borrowing rates.
- 4.10 The policy of not taking up the Council's full borrowing requirement by running down cash balances, has served well over the last few years and as a guide if the under-borrowed position of £30.9m as at 31 March 2019 as highlighted at paragraph 3.3 had been taken for 25 years, an additional net £484k per year in loan interest would be payable ($£30.9m \times 2.385\% = £737k$ interest payable less $£30.9m \times 0.82\% = £253k$ loss of investment interest).
- 4.11 During 2018/19 whilst no rescheduling of the Council's existing PWLB debt portfolio was undertaken due to the high breakage costs (premium) payable, an approach was received in Autumn 2018 from the RBS offering the Council an opportunity to repay the £20m LOBO loan on discounted terms.
- 4.12 In addition to the principal of £20m and outstanding loan interest of £0.3m, an early termination penalty totalling £11.7m was required in order to extinguish this debt. This was a much discounted level of premium which made the opportunity attractive. Had the original conditions of the loan agreement been applied then the termination penalty should have been in the region of £33m, a saving of £21.3m.
- 4.13 In order to take advantage of this situation and in conjunction with advice obtained from the Council's advisors LAS, discussions with the Executive Member for Finance and Corporate Director of Finance and Systems took place and from which the decision was taken to repay the original RBS loan at a rate of interest of 7.26% and replace it with a loan from the PWLB at a rate of 2.66%.

4.14 From the table at paragraph 3.3 it can be seen that the level of external debt increased during 2018/19 from the opening position of £164.4m to close at £220.7m and this was as a result of the following transactions;

Lender	Principal – (Repayment) / New	Average Interest rate	Notes
PWLB	£(2.7)m	5.502%	Natural maturity.
SALIX Finance	£(1.4)m	0.000%	Loan used to part fund the LED Street Lighting Programme.
RBS	£(20.0)m	7.26%	Repaid and replaced with PWLB loan
PWLB (taken November 18)	£20.0m	2.660%	Loan taken to replace the RBS LOBO loan
PWLB (taken December 18)	£13.9m	2.800%	Loan taken to fund commercial investment.
PWLB (taken December 18)	£12.0m	2.45%	Loans taken to reduce the under borrow position.
PWLB (taken December 18)	£9.0m	2.460%	Loans taken to fund capital programme schemes.
PWLB (taken March 19)	£25.5m	2.430%	Loans taken to fund commercial investments.
Total	£56.3m		

4.15 From the total debt outstanding of £220.7m, £0.7m is administered on behalf of Greater Manchester Probation Service which leaves £220.0m in respect of the Council's own long term requirement and a maturity profile of the Council's debt can be found at Appendix B & C for reference.

4.16 During 2018/19 the Corporate Director of Finance and Systems continued to monitor interest rate movements in the financial markets and caution was adopted with the treasury operations.

4.17 Interest payable on general debt spend totalled £5.5m which was £(0.7)m less than budget and this saving was due to;

- New debt being taken later in the year than originally forecasted thereby saving interest of (£0.22)m and
- Restructuring of the £20m RBS LOBO loan (£0.48)m.

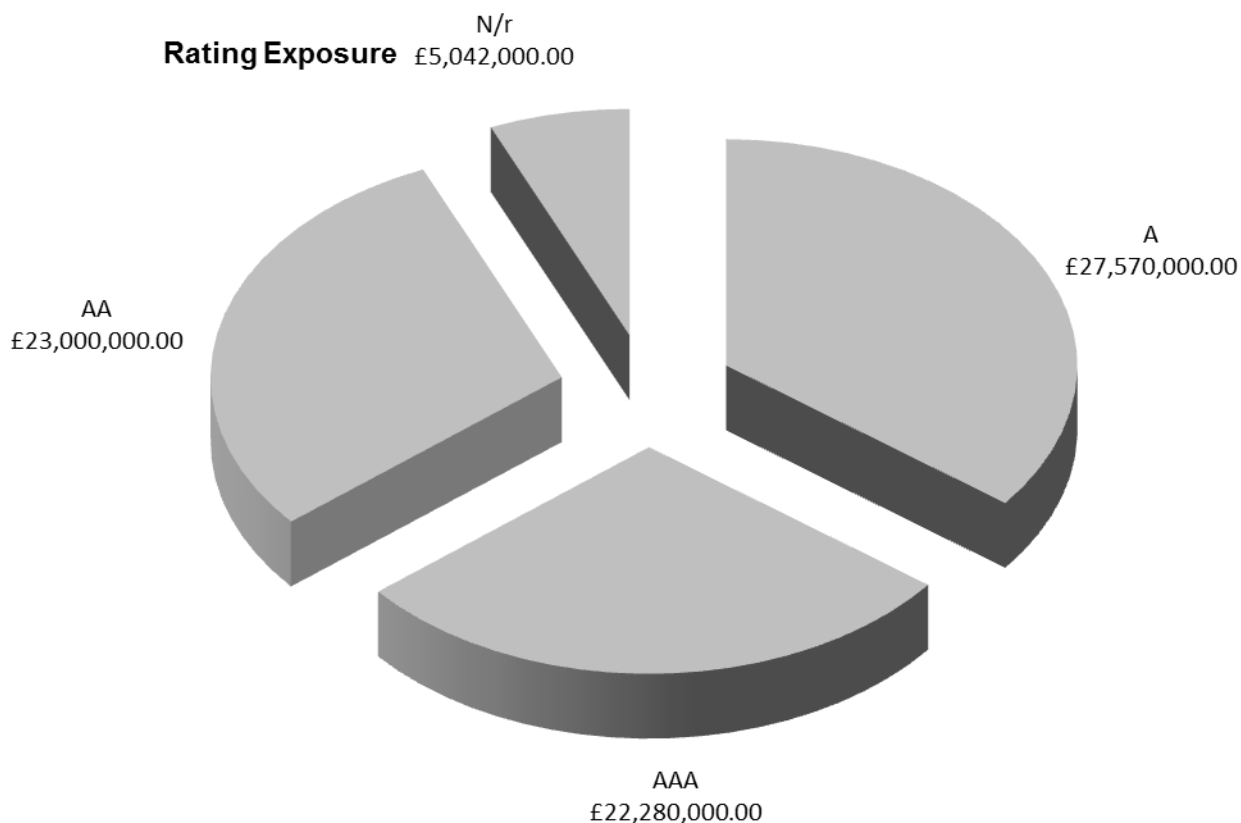
For debt taken out to fund the acquisition of the Council's commercial property portfolio, loan interest totalling £1.1m was paid and this was fully funded from the rental income received.

4.18 During the course of the year no borrowing for more than, or in advance of the Council's needs, purely in order to profit from the investment of the extra sums borrowed and no temporary borrowing was required in order to fund the Council's day to day cash flow requirements.

5. INVESTMENT POSITION

- 5.1 The Council's investment policy is governed by the MHCLG guidance and this was incorporated within the annual investment strategy approved by Council on 21 February 2018. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).
- 5.2 Using this information the Council's in-house treasury management team is able to produce an approved lending list in order to ensure investments are only placed with low risk institutions. Funds are invested for a range of periods from overnight to 3 years dependant on cash flow requirements with counterparty limits also being set out in the approved investment strategy ensuring that an excessive level of funds are not placed in a single counterparty.
- 5.3 I can confirm that during the year all investment activity conformed to the approved strategy and that the approved limits within the Annual Investment Strategy were not breached.
- 5.4 The Council will, in line with previous years, aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity.
- 5.5 During the course of the year investment rates remained weak rising marginally after the MPC increased the Bank Rate in August.
- 5.6 In 2018/19 the Council maintained an average balance of £81.7m of internally managed funds earning an average rate of return of 0.82% which generated £666k in investment interest. This return was £70k above the agreed budget figure of £596k and 0.31% or £250k above the performance indicator of the average 7-day LIBID rate of 0.51%.
- 5.7 With regards to the Council's long term investments, in 2015, £5m was placed into the CCLA Property Fund for a minimum period of 5 years which after entry costs had been deducted of £0.3m, enabled 1,643,872 units to be purchased in the fund. At 31 March 2019 the value of these units, were £5.04m and this compares to the valuation at 31 March 2018 of £4.97m, an increase of £0.07m.
- 5.8 Annualised returns generated from the CCLA property fund in 2018/19 (net of fees) were 4.92% and this compares with that achieved in 2017/18 of 4.65%.
- 5.9 When the rates of return for both short and long term investments are combined, this produces an average level invested of £86.7m, generating a rate of return of 1.06% worth £916k which is 0.55% and £0.48m above the performance indicator of the average 7-day LIBID rate of 0.51%.
- 5.10 During the continuing climate of low interest rates the ability to generate a satisfactory level of return without exposing the Council's funds to high levels of risk remains challenging. Whenever new opportunities to generate additional investment income become known, these are thoroughly investigated in order to ensure that they will be suitable for the Council to pursue without committing it to any unnecessary risk.
- 5.11 The Council's main bank account with Barclays, is non-interest bearing and consequently if no investments were undertaken by the in-house team, the Council would lose the opportunity to generate £916k of income.
- 5.12 Levels of funds available to be invested on a daily temporary basis are subject to a number of factors with the main one of being due to timing issues of large payments (precepts / levies / salaries / etc.), receipt of grants and progress on the Capital Programme.

5.13 The graph below provides a breakdown of the Council's investments placed as at 31 March 2019 by long term credit rating and further information detailing the make-up of this can be found at Appendix C & D;



6. RELATED TREASURY ISSUES

6.1 A major change to the CIPFA Code of Practice on Local Authority Accounting for 2018/19 was the implementation of IFRS 9. As a result of this, a significant change to how the Council's shareholding in MAH Ltd and its pooled investment with CCLA are categorised in the Council's Statement of Accounts was required. As a consequence of this reclassification any changes in the values of these holdings would impact on the Council's revenue budget however the following action is to be applied:

- MAH Ltd - the Code of Practice allow for councils with shareholdings to elect at the outset, to treat this type of investment so that any movement in values do not impact on the revenue budget. The Council has elected to adopt this option.
- CCLA pooled investment - the MHCLG has agreed a temporary override for English Local Authorities for a five year period starting on 1 April 2018 and the Council will use the statutory override to account for any changes in the value on its pooled investments.

Further details on the impact of the IFRS 9 are disclosed in the Council's Statement of Accounts at Note 18.

6.2 Local Authority Mortgage Scheme - the Council participated in the national Local Authority Mortgage Scheme using the cash backed option with Lloyds bank by advancing £2m in 2012/13 and a further £1m in 2013/14 at an interest rate of 4.41% and 2.70% respectively. All funds have now been repaid.

7. PRUDENTIAL AND PERFORMANCE INDICATORS

- 7.1 It is a statutory duty for the Council to determine and keep under review the Council's Prudential Indicators as approved within the Treasury Management Strategy for 2018/19.
- 7.2 During the year ended 31 March 2019, the Council has operated within these indicators which are shown in Appendix E for reference.

8. 2018/19 SUMMARY OUTTURN POSITION

- 8.1 Activities undertaken as part of the treasury management function are subject to many factors beyond the Council's control which have an impact on actual performance e.g. worldwide economic and political events, unforeseen interest rate movements. The table below reflects the summarised outturn position compared to that originally forecasted for reference;

	Budget £000	Outturn £000
DEBT		
Interest & Premium	6,683	6,117
MRP	2,650	1,818
Sub-total	9,333	7,935
INVESTMENTS		
Investment Interest & other net interest receipts	(969)	(1,060)
MAH Ltd – (airport share dividend & loan income)	(5,281)	(7,267)
Contribution to MAH reserve	0	2,038
Sub-total	(6,250)	(6,289)
RESERVES		
Contribution to / (from) Interest Smoothing Reserve	158	980
Sub-total	158	980
TOTAL	3,241	2,626

Note: The above figures reflect;

- Interest saved as a result of the Council's £20m variable rate which during 2018/19 was 7.26% being replaced in November 2018 with a loan at an interest rate of 2.66%;
- All associated debt costs from borrowing undertaken to fund the Council's Commercial Investment Programme are self-financing i.e. paid for from the income stream generated from the investment.;
- An additional share dividend was received from the Manchester Airport Holdings Ltd as a result of stronger trading operations;

- 8.2 The contribution to the Smoothing Reserve is due to in-year savings in the debt charges associated with new investment. This is in part due to borrowing being taken up part way through the year. The reserve will therefore be required in future years and is also held for future cash implications arising from:-

- Potential adverse changes in investment interest rates and
- Non-treasury management activities which have an impact on cash flows.

Other Options

This report has been produced in order to comply with Finance Procedure Rules and relevant legislation and provides an overview of the treasury management transactions undertaken during 2018/19.

Consultation

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

Reasons for Recommendation

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

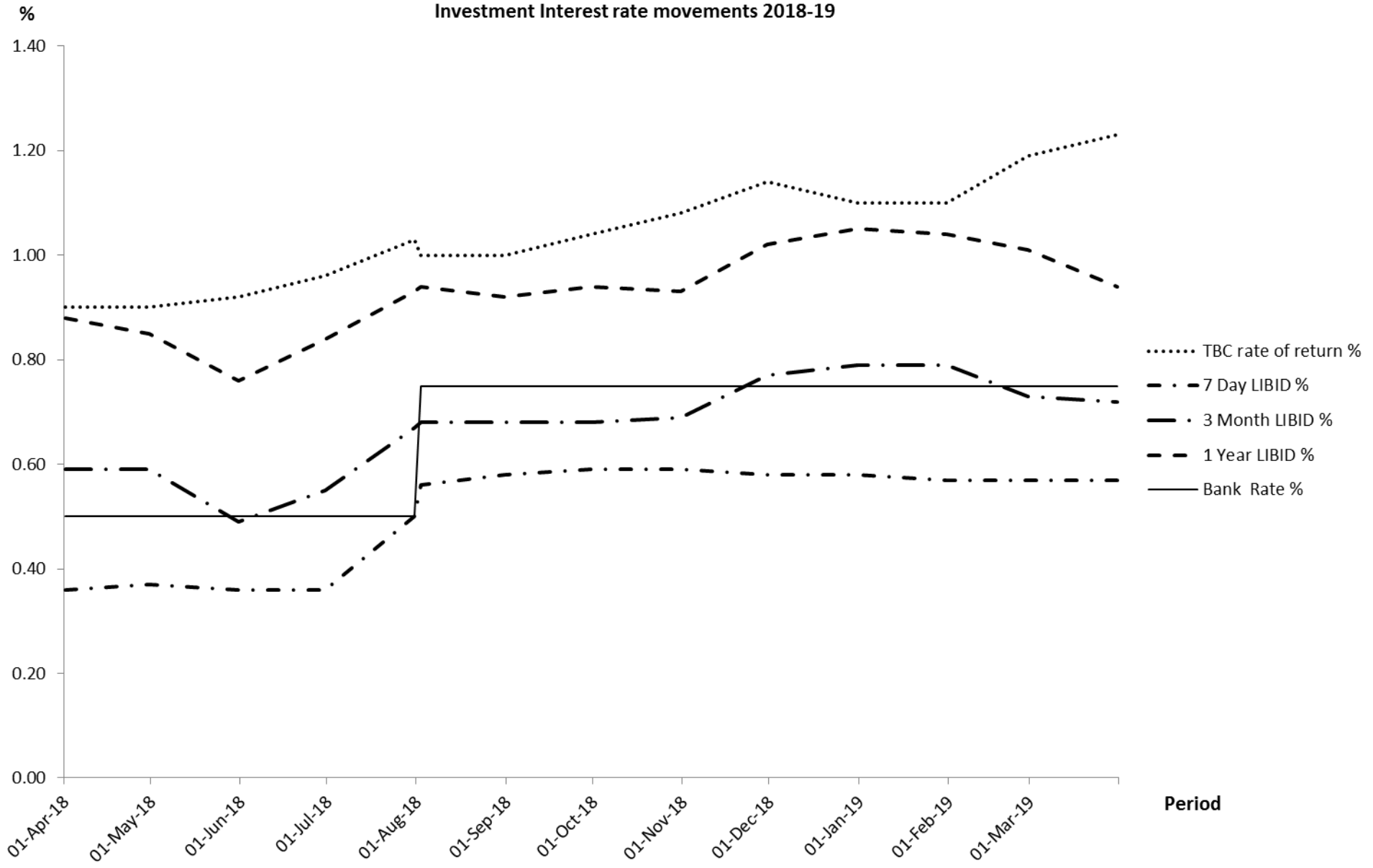
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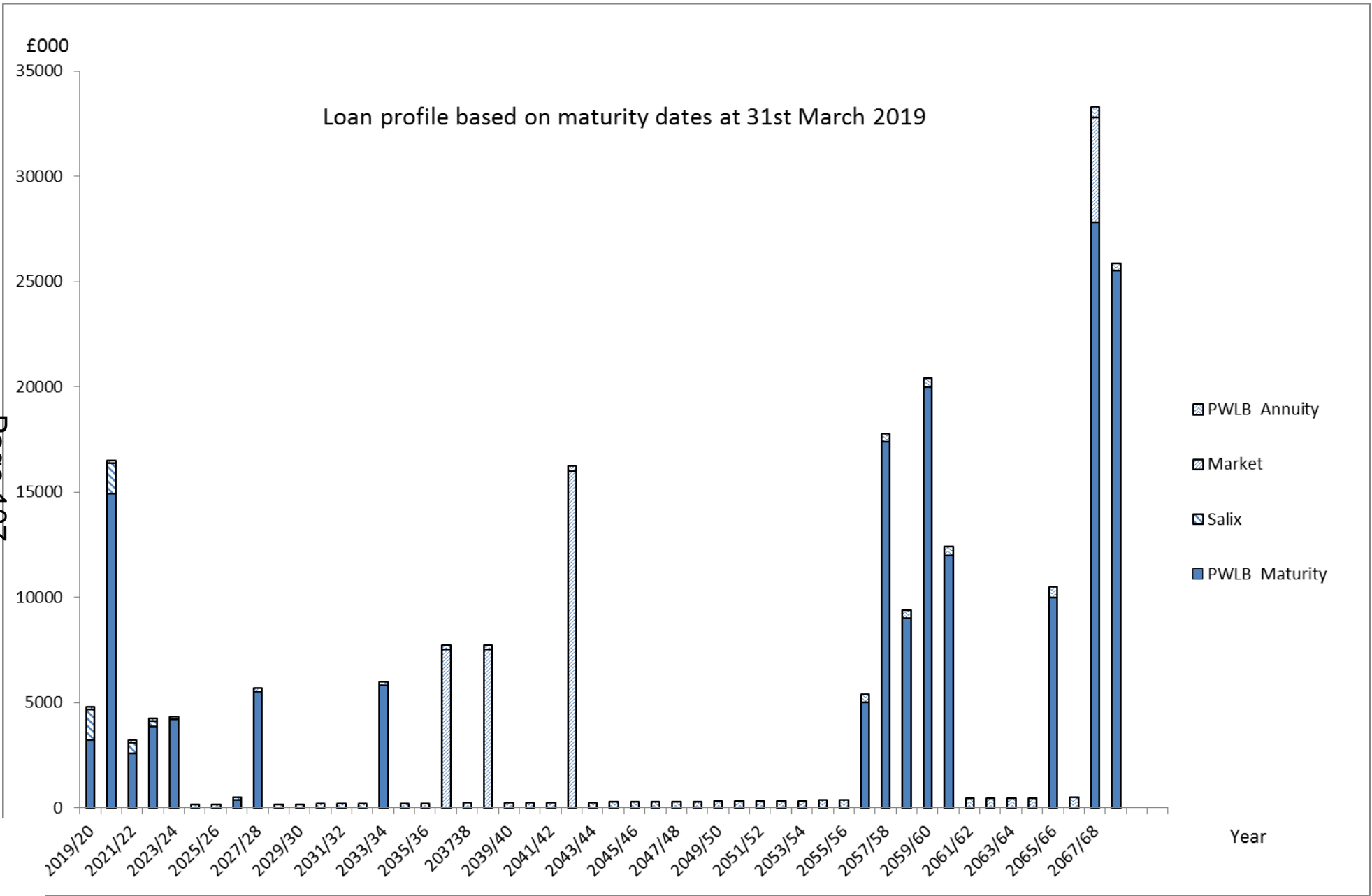
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Corporate Director's signature pp .. 

Investment Interest rate movements 2018-19

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Maturity Profile

Debt portfolio:

	31 March 2019 (£m)	31 March 2018 (£m)
Under 12 months	4.8	4.0
12 months and within 24 months	16.5	4.7
24 months and within 5 years	11.8	23.6
5 years and within 10 years	6.7	10.0
10 years and above	180.9	122.1
Total	220.7	164.4

Investment portfolio:

	31 March 2019 (£m)	31 March 2018 (£m)
Instant Access	22.3	30.3
Up to 3 Months	19.6	13.0
3 to 6 Months	12.0	10.9
6 to 9 Months	11.5	2.0
9 to 12 months	7.5	9.5
Over 1 year	5.0	7.5
Total	77.9	73.2

Breakdown of Investments

Counterparty	Amount (30 Sept 2018) £	Amount (31 March 2019) £	Long Term Credit Rating
<i>Money Market Fund</i>			
Amundi	11,500,000	410,000	AAA
Federated Investors	6,050,000	8,860,000	AAA
Legal & General	1,400,000	100,000	AAA
Invesco Aim	140,000	2,910,000	AAA
Aberdeen (formerly Standard Life)	400,000	10,000,000	AAA
<i>Sub total</i>	<i>19,490,000</i>	<i>22,280,000</i>	
<i>Notice Accounts</i>			
Barclays Bank	5,000,000	2,500,000	A
Santander UK Bank	4,800,000	2,800,000	A
<i>Sub total</i>	<i>9,800,000</i>	<i>5,300,000</i>	
<i>Term Deposit</i>			
Australia and New Zealand Bank	0	12,000,000	AA
Birmingham City Council	3,000,000	0	AA
Close Brothers Bank	7,500,000	10,000,000	A
Commonwealth Bank of Australia	2,000,000	0	A
Development Bank of Singapore	9,000,000	3,000,000	AA
Flintshire Council	0	2,000,000	AA
Goldman Sachs Bank	7,000,000	0	A
Greater Manchester Combined Authority	0	3,000,000	AA
Lincoln City Council	0	3,000,000	AA
Lloyds Bank	14,670,000	10,270,000	A
National Bank of Abu Dhabi	2,500,000	0	
Santander UK Bank		2,000,000	A
<i>Sub total</i>	<i>45,670,000</i>	<i>45,270,000</i>	
<i>Property Funds</i>			
Church Commissioners Local Authority	4,991,946	5,041,755	Not rated
<i>Sub total</i>	<i>4,991,946</i>	<i>5,041,755</i>	
Total	79,951,946	77,891,755	

The above table shows the level of investments placed as at 31 March 2019 and 30 September 2018, the last time Members were provided with this information.

Prudential Indicators for 2018/19

Indicator	Indicator set by Council	Actual
<p>Authorised Borrowing Limit Maximum level of external debt, including other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing - this is a statutory limit under Section 3(1) of the Local Government Act 2003.</p>	£475.5m	£220.7m
<p>Operational Boundary Calculated on a similar basis as the authorised limit but represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing – this is not a limit.</p>	£460.5m	£220.7m
<p>Upper limits on fixed interest rates Maximum limit of net fixed interest rate exposure - debt less investment</p>	£5.1m	£4.5m
<p>Upper limits on variable interest rates Maximum limit of net variable interest rate exposure – debt less investment</p>	£2.2m	£0.6m
<p>Gross Debt and the Capital Financing Requirement – this reflects that over the medium term, debt will only be taken for capital purposes. During 2018/19 the Corporate Director of Finance and Systems can confirm that this indicator was complied with.</p>		
<p>Maturity structure of fixed rate borrowing These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.</p>		
Under 1 year (this includes the next call date for Market loans)	30%	9%
1 year to 2 years	30%	8%
2 years to 5 years	30%	5%
5 years to 10 years	30%	3%
10 years to 20 years	30%	4%
20 years to 30 years	30%	8%
30 years to 40 years	30%	16%
40 years and above	90%	47%
<p>Maximum principal funds invested exceeding 364 days (including Manchester Airport Holdings Ltd shares) - (These limits are set to reduce the need for early sale of an investment)</p>	£90m	£57.7m

Performance Indicators for 2018/19

Indicator	Target	Actual
Security – potential default rate of the Council’s investment portfolio based on default rates from the 3 main credit rating agencies – inclusion is recommended by CIPFA.	Max 0.07%	Max 0.012% (31 March 2019)
Liquidity – investments available within 1 week notice	£15m min.	Achieved
Liquidity – Weighted Average Life of investments	6 months	3.75 months (31 March 2019)
Yield – Investment interest return to exceed 7 day London Interbank BID rate (exclude CCLA)	Average 7 day LIBID 0.51%	Average rate of return for 2018/19 was 0.82%
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Min 76% Max 24%

ABBREVIATIONS USED IN THIS REPORT

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CCLA: Church Commissioners Local Authority - manage investments for charities, religious organisations and the public sector

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

FOMC: the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

GDP: gross domestic product – a measure of the growth and total size of the economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.

IFRS 9: is an International Financial Reporting Standard (**IFRS**) published by the International Accounting Standards Board (IASB). It addresses the accounting for financial instruments and contains three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

LAS: Link Asset Services – independent organisation which provides advice and guidance on all treasury matters including government legislation.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

LOBO: Lender Option Borrower Option – form of money market instrument which gives the lender the option to review interest rates on predetermined dates which in turn gives the borrower on the occasion of a movement in interest rate the option to accept the revised levels or repay the loan without penalty.

MAH Ltd: Manchester Airport Holdings Limited - is a holding company which is owned by the ten metropolitan borough councils of Greater Manchester and an Australian investment fund IFM Investors.

MHCLG: the Ministry of Housing, Communities and Local Government -the Government department that directs local authorities in England.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision -a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

RBS: -Royal Bank of Scotland.

UK: United Kingdom.

USA: United States of America.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition)

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 19 June 2019
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Annual Report of the Head of Internal Audit 2018/19

Summary

The purpose of the report is:

- To provide a summary of the work of the Audit and Assurance Service during 2018/19.
- To provide an opinion on the overall adequacy and effectiveness of the Council's control environment (which encompasses internal control, risk management and governance) during 2018/19.

Recommendation

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

Contact person for access to background papers and further information:

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

Background Papers:

None

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TRAFFORD
COUNCIL

Audit & Assurance Service

Annual Report of the Head of Internal Audit 2018/19

May 2019

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6. Performance against Audit Plan
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Appendices

- A : Quarter 4 2018/19 – Internal Audit Reports Issued
- B : 2018/19 Internal Audit Plan (Planned Work and Actual Days Spent)
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Part One - Overview of Work Completed and Main Conclusions

SUMMARY AND OVERALL OPINION

The Annual Report of the Head of Internal Audit sets out details of the work of the Audit and Assurance Service during 2018/19. The most important aspect of the Annual Audit Report is to give an independent and objective opinion as to the overall adequacy and effectiveness of the Council's control environment during 2018/19.

Internal Audit is a statutory function and the Audit and Assurance Service carried out its work in 2018/19 in general conformance with the Public Sector Internal Audit Standards.

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

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

The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2018/19. It should be noted that the report relates to areas reviewed by Internal Audit up to 31 March 2019. Any further issues relating to work undertaken after that time are covered in future update reports through the year to the Corporate Leadership Team and the Accounts and Audit Committee.

Based on internal audit review work undertaken in 2018/19, the Internal Audit Opinion is that, overall, the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard but there are, however, some areas for improvement.

Follow-up internal audit work in areas previously reviewed demonstrates that progress is being made to improve controls and address risks previously identified, although further action is required in respect of some areas reviewed. Where areas for improvement have been identified during 2018/19, actions have been agreed with management to be followed up in 2019/20.

In terms of external inspection, it is noted that following the Ofsted review of Children's social care services, which provided ratings of "inadequate" or "requires improvement to be good" across areas reviewed, an improvement plan is being produced in early 2019/20 to address the issues raised.

1. INTRODUCTION AND BACKGROUND

- 1.1 The purpose of the Annual Report of the Head of Internal Audit is to detail the work of the Audit and Assurance Service during 2018/19. The report provides an opinion as to the overall adequacy and effectiveness of the Council's control environment during 2018/19.
- 1.2 Internal Audit is a statutory function and must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS). It is a requirement of PSIAS that an annual internal audit report is written and presented to the organisation.
- 1.3 The 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.
- 1.4 During 2018/19, the establishment of the Audit and Assurance Service comprised 6.9 full time equivalent (FTE) staff and work for the year was planned on that basis. However, for most of the year, one officer was on secondment to the Trafford CCG Finance team. In addition to the Audit and Assurance Manager, the Service staffing structure consisted of the following:
- 2 Principal Audit and Assurance Team Leaders (2FTE) of which one was on the secondment.
 - 1 Principal Audit and Assurance Officer
 - 2 Senior Audit and Assurance Officers
 - 1 Audit and Assurance Officer (0.9 FTE during 2018/19).
- 1.5 In addition to in-house resources, Salford Internal Audit Services provided support in respect of elements of the ICT Internal Audit Plan. The Audit and Assurance Service also worked with other Internal Audit providers where appropriate such as Stockport, Rochdale and Tameside Councils in respect of the STAR Shared Procurement Service.
- 1.6 The approach to internal audit work adopted at Trafford is set out in the Internal Audit Charter and Strategy which were updated in March 2019 and approved by the Accounts and Audit Committee. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service. The Internal Audit Strategy describes the arrangements in place to deliver internal audit so as to ensure that the objectives and scope of the Service are met, thereby enabling Internal Audit to provide an opinion on the operation of the control environment. The Strategy covers audit resources, planning, service delivery and reporting.

2. INTERNAL AUDIT OPINION FOR 2018/19

2.1 The Head of Internal Audit is required to give an annual opinion on the adequacy and effectiveness of the Council's internal control environment. The opinion supports the Annual Governance Statement. The Opinion for 2018/19 is as follows.

Based on internal audit review work undertaken in 2018/19, the Internal Audit Opinion is that, overall, the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard but there are, however, some areas for improvement.

Follow-up internal audit work in areas previously reviewed demonstrates that progress is being made to improve controls and address risks previously identified, although further action is required in respect of some areas reviewed. Where areas for improvement have been identified during 2018/19, actions have been agreed with management to be followed up in 2019/20.

In terms of external inspection, it is noted that following the Ofsted review of Children's social care services, which provided ratings of "inadequate" or "requires improvement to be good" across areas reviewed, an improvement plan is being produced in early 2019/20 to address the issues raised.

2.2 Factors determining the opinion are as follows

- Audit Opinion reports were issued through the year covering a range of services, functions, systems and processes including financial system audits, ICT Audits, schools and establishment reviews, service reviews and procurement/contracts related reviews. (See Section 4 and Appendices A to C). Of the 36 final audit reports issued during the year (which included 11 schools), 89 % of opinions stated that at least an adequate level of control was in place. Excluding schools, 88% of opinions in reports were at least adequate (See 3.5).
- For all final reports issued, action plans were agreed to implement recommendations made with the aim of improving arrangements for governance, risk management and internal control. Most recommendations made (98%) have been agreed by management (See 5.3 to 5.5).
- A number of areas identified in the previous year as requiring improved standards of control were followed up by Audit in 2018/19 and significant progress had been made in implementing recommendations. Follow up review work undertaken during the year has identified that, overall, of the areas reviewed 92% of recommendations previously made had been either fully or partially implemented. There are a number of audit reviews included in the 2019/20 Internal Audit Plan to undertake further follow up work in relation to audits where recommendations have been reported in 2018/19 as being in progress or not implemented. (See 5.6 to 5.10 for an analysis of follow up audit reviews both for Council and schools related reviews).

- Key strategic risks have continued to be monitored through the year. Audit and Assurance has contributed to the review and update of the Strategic Risk Register which has been reported to the Corporate Leadership Team and the Accounts and Audit Committee. A risk in relation to the impact of Brexit was added to the risk register during the year and as at the year end, reflecting concerns raised during the year, the highest risk included related to issues in respect of the performance of the One Trafford Partnership (See 4.2).
- The Audit and Assurance Service worked with Legal and Democratic Services to assist in planning the approach and timetable for the production of the Council's 2017/18 AGS. The 2017/18 AGS identified a number of significant governance issues for 2018/19 including in relation to the Council's medium term financial position; developments in business continuity arrangements; and continued progression of work in relation to the Council's investment strategy. Updates on progress against each of these are to be provided in the 2018/19 AGS, which will be approved by July 2019. (See 4.1)
- In terms of a further significant issue to be addressed in 2019/20, following the Ofsted inspection of Children's Social Care which provided ratings of "inadequate" and "requires improvement to be good", the Council is taking a number of actions to address the issues raised which will be followed up by Ofsted later in 2019.
- The Audit and Assurance Service has continued to contribute to anti-fraud and corruption activity and where appropriate worked in liaison with other services including the Counter Fraud and Enforcement team. The Service has co-ordinated work, in liaison with other services, in relation to the 2018/19 National Fraud Initiative (See 4.5).
- The Service continues to contribute to the development and review of information security and governance processes across the Council and contributed to the development of action plans through its work. (See 4.7).

2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2018/19 is provided in this report.

3. WORK PLANNED AND COMPLETED

3.1 Total time allocated to carry out the Operational Plan was originally set at 1080 days for 2018/19 (with an additional contingency of 60 days). This was calculated by subtracting overheads, e.g. leave, sickness, training etc, from the time available to each auditor. See Appendix B for a summary of work planned against completed with a breakdown of days across categories of internal audit work. The actual number of days spent delivering the 2018/19 Annual Audit Plan was 901. Details of planned work against actual are discussed further in Section 6.

3.2 It should be noted that in addition to the 901 actual days, additional time was taken for other activities that are not attributable to one particular category of work but support the audit process. In 2018/19, this included continued support to the Accounts and Audit Committee, liaison with the External Auditor, networking with other North West Internal Audit groups to share good practice, and liaison with services to gather information in support of the production of the audit plan.

3.3 Details of the internal audit reports issued are shown in Appendix C. Further detail in relation to audit reports issued between April and December 2018 are detailed in the update reports presented to CLT and the Accounts and Audit Committee in October 2018 and February 2019. Appendix A provides detail in relation to reports issued during the final quarter of 2018/19.

Analysis of Audit Opinions

3.4 For each audit report issued, one of five possible opinions is given. The five opinions are also denoted as Red/Amber/Green. The table below shows the number of final reports issued during 2018/19 for each opinion level.

LEVEL OF ASSURANCE	R/A/G STATUS	DESCRIPTION	NUMBER OF FINAL REPORTS ISSUED 2018/19
High Level of Assurance (Very Good)	Green	Controls operating effectively to address all the major business risks identified at the time of the audit.	3
Medium / High (Good)	Green	Most business risks controlled effectively. However, there is need to improve controls in respect of a small number of high risk areas as well as for other risk areas.	14
Medium (Adequate)	Green	Most risk areas controlled effectively but control improvements required for some high risk areas as well as for other areas.	15
Low / Medium (Marginal)	Amber	Some business risks are controlled effectively. However, improvements are necessary to control a significant number of high risk areas.	4
Low (Unsatisfactory)	Red	Very high risk of fraud and error because a significant number of major business risks are not adequately controlled.	-
		TOTAL	36

- 3.5 As shown above, in respect of the 36 final audit reports issued during the year, an adequate or above (Green) level of assurance was given for 89% of the reviews (This compares to 88% in 2017/18). Excluding schools from the analysis, 22 of the 25 opinion reports issued were “Green” i.e. 88% (compared to 95% in 2017/18). There were four reviews completed where a less than adequate “Low/Medium” opinion was given (one of these was a school audit). A full listing of reports issued and associated audit opinions is given in Appendix C.
- 3.6 It should be noted that whilst shown as “Green”, where opinions of Medium or Medium/High have been given, a number of control improvements to manage risks have been identified and it is important that associated recommendations are addressed.

Other Assurance Provided Across the Council

- 3.7 A significant proportion of time spent does not result in the issue of formal internal audit reports. This is because the Audit and Assurance Service has contributed to a number of activities such as:
- Risk management (including facilitating the update of the Council’s strategic risk register and contributing to the provision of Risk Management guidance).
 - Anti-fraud and corruption (including co-ordinating the Council’s work in supporting the National Fraud Initiative), -
 - Working in liaison with Legal and Democratic Services to provide support in the process for producing the 2017/18 AGS including an independent review of its content prior to its final completion plus assisting Legal and Democratic Services in planning the approach for the production of the 2018/19 AGS.
 - Contributing to the work of the Information Security Governance Board including in the early part of 2018/19, support in developing the Corporate Information Governance risk register and in the latter part of 2018/19 working in liaison with the Information Governance team to provide an independent review in respect of the NHS Digital Data Security and Protection toolkit submission.
 - Input to the Authority’s contract monitoring of the One Trafford Partnership in respect of the monitoring of performance indicators. This included supporting management in validating supporting data and providing advice in respect of the processes supporting the monitoring of some key performance indicators.
 - Providing guidance to schools, with a briefing note included on the schools weekly e-bulletin covering frequently made audit recommendations.
 - Liaison with ICT to monitor mobile phone usage with findings shared with ICT to consider appropriateness of contracts in place.
 - Work completed in liaison with Trafford Leisure in relation to advice on internal controls.
 - Providing other guidance (which included updating of the dedicated site on the intranet for the Audit and Assurance Service which provides information and guidance).

Breadth of Stakeholders

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

Part Two – Detailed Findings

4. DETAILED ANALYSIS OF WORK COMPLETED

Section 2 gave the overall Internal Audit Opinion on the operation of the control environment during 2018/19, and provided a summary of internal audit work undertaken on which the opinion is based. This section provides a more detailed analysis.

4.1 Governance

- 4.1.1 The Audit and Assurance Service has a key role in providing assurance on the standards of governance and internal control in the Authority.
- 4.1.2 The requirement to produce an Annual Governance Statement is set out in the Accounts and Audit Regulations (2015). Legal and Democratic Services co-ordinate the production of the Annual Governance Statement in liaison with officers and members as set out in the approach / timetable agreed by the Accounts and Audit Committee each year. In order to complete this, corporate governance arrangements are reviewed with reference to the CIPFA/SOLACE Framework for Corporate Governance in Local Government. This includes identifying sources of assurance to provide evidence that the Council's governance arrangements comply with the CIPFA/SOLACE framework. The framework consists of a set of principles covering issues such as ethics/values; stakeholder engagement; sustainable economic, social and environmental benefits; policies and procedures; capacity and training; management of risks and transparency/reporting arrangements.
- 4.1.3 Given Internal Audit experience in previously leading on the collation of the AGS, Audit and Assurance worked with Legal and Democratic Service to provide advice on the process for producing the 2017/18 AGS. Audit also undertook a brief review of the content of an early version of the Draft AGS prepared by Legal and Democratic Services and made some suggestions for additions to the document. These were taken into account in producing the Draft AGS, which was completed in May 2018 and presented to the Accounts and Audit Committee at its June 2018 meeting, together with the updated Corporate Governance Code. Audit and Assurance has continued to liaise with Legal and Democratic Services to provide advice in planning for the preparation of the 2018/19 AGS.
- 4.1.4 The final approved 2017/18 AGS included a number of significant governance issues highlighted for progression in 2018/19 including managing the Council's medium term financial position; developments in business continuity arrangements; and continued progression of work in relation to the Council's investment strategy. Updates on all significant issues will be included in the 2018/19 AGS. The 2018/19 AGS will also reflect developments following the Ofsted inspection of Children's

Social Care in March 2019 which provided ratings of “inadequate” and “requires improvement to be good”. The Council is taking a number of actions to address the issues raised which will be followed up by Ofsted in 2019.

4.1.5 Audit and Assurance initially liaised during the year with Legal and Democratic Services to review guidance in respect of the declaration of gifts and hospitality. Further to this, it was agreed that an audit review would be added to the 2018/19 Internal Audit Plan to consider the adequacy and effectiveness of existing arrangements. A final audit report was issued in October 2018 which concluded that whilst procedures and guidance for staff to declare offers of gifts and hospitality are in place, it was recommended that the content of the procedure and guidance within the Employee Code of Conduct is reviewed to ensure it is up to date and considers best practice. Progress made in implementing the recommendations will be reported in 2019/20.

4.2 **Risk Management**

4.2.1 The Audit and Assurance Service continued to facilitate the review and update of the Council’s strategic risk register through liaison with CLT. This ensures that the Council formally identifies and monitors the key risks to the achievement of Council objectives.

4.2.2 Reports setting out the strategic risk register and key developments in the management of risks have been submitted to CLT through the year. The Accounts and Audit Committee were provided with updates in October 2018 and March 2019. In the March 2019 update this included 14 strategic risks setting out existing arrangements in place and recent developments to manage these. A risk in relation to the impact of Brexit was added to the risk register during the year and as at the year end, reflecting concerns raised during the year, the highest risk included related to issues in respect of performance of the One Trafford Partnership. The risk reports highlighted ongoing actions to manage the risks identified.

4.2.3 Audit and Assurance worked with the Council’s Information Governance team during the year to provide input/advice in respect of the update of the Council’s Information Governance Risk Register. This included liaison with Trafford CCG’s Information Governance Manager to consider information governance issues across both organisations to inform the update of the risk register.

4.2.4 Risk management guidance on the Council’s intranet site was further updated by the Audit and Assurance Service. In 2019/20, it is planned that as part of a future exercise to update the strategic risk register, Audit and Assurance will also request updates from respective Directorates in respect of providing evidence of Service/Directorate level risk registers and where appropriate will provide further guidance.

4.3 **Fundamental Financial Systems**

4.3.1 This is a key area of internal audit work providing assurance regarding the controls in place for the Authority’s key financial systems. Details of progress made during the year for each planned review is set out below.

4.3.2 As listed in Appendix C, five final audit reports were issued during the year. These related to the following reviews with the respective Directorates and Audit Opinion shown:

Reported in the April to August 2018 Audit and Assurance update:

- Income Control (Finance and Systems/Authority-wide) - High
- Adult Social Care Payment System: Liquid Logic/ContrOCC (Adults' Services) - Medium

Reported in the September to December 2018 Audit and Assurance update:

- Direct Payments (Adults' Services) - Medium
- Treasury Management (Finance and Systems) - High

Issued in Quarter 4 2018/19 (See appendix A for overall findings):

- Direct Payments (Children's Services) – Medium/High

4.3.3 The following review was completed to draft report stage by the end of the year (with the final report issued in April 2019 and will be reported in the next Audit and Assurance update report in 2019/20):

- Children Social Care Payments System : Liquid Logic/ContrOCC (Children's Services)

4.3.4 In terms of other planned reviews:

- Purchase Cards (Finance and Systems). A draft report is due to be issued in quarter one of 2019/20. Further to this, a review of the Accounts Payable system will commence.
- An IT controls based audit review in respect of the GM Shared Services Payroll system, I-Trent, is currently in progress (See 4.7.6). Further to that a wider review of Payroll procedures and controls will be undertaken.
- In agreement with management, a budgetary control review is rescheduled (as included in the 2019/20 Internal Audit Plan approved in March 2019).

4.3.5 As agreed as part of the 2019/20 Internal Audit Plan, a number of other financial systems reviews have been agreed for inclusion including Council Tax, Business Rates, Housing Benefit/Council Tax Reduction and Accounts Receivable/Debt Recovery.

4.4 Schools

4.4.1 As part of the Schools Financial Value Standard (SFVS) designed by the Department for Education, schools are required to submit evidence to support adherence to the Standard on an annual basis. It is noted that in accordance with SFVS, all schools have submitted a self-assessment for 2018/19 as required. Information submitted is available to Audit and Assurance to assist in planning school audits.

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

- 4.4.3 Within the Internal Audit Plan it was planned that at least 14 school audits would be undertaken in 2018/19. During the year, 11 final audit reports were issued. In addition to these, as at the end of March 2019, in respect of two other schools visited during the year, an initial draft report had been shared with the respective Headteachers. In addition, at another school a visit had been completed by the end of March (with a report issued after the year-end) and planning for another school visit commenced. There has been rescheduling of audits of two other schools which were originally due to commence in 2018/19 and will be completed in 2019/20.
- 4.4.4 In respect of the 11 final audit reports issued, five schools were provided an opinion of “Medium/High”, five with “Medium” and one was “Low/Medium.” (See appendix C). For the school where a Low/Medium opinion has been provided, a follow-up audit will be undertaken in 2019/20 to assess progress in implementing the recommendations made.
- 4.4.5 During the year there was follow up by Audit in relation to 6 schools to confirm progress in implementing previous recommendations. Good progress in implementing recommendations is highlighted by the analysis regarding audit follow ups (See 5.6 to 5.10).
- 4.4.6 Audit and Assurance continued to liaise with Financial Management and Children’s Services to assist in following up issues raised at particular schools, ongoing audit planning and, where applicable, to provide advice to schools.

4.5 **Anti-Fraud and Corruption**

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

National Fraud Initiative

- 4.5.2 The Audit and Assurance Service continued to co-ordinate the Council’s participation in the National Fraud Initiative (NFI), a nationwide data matching exercise designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse. The Service co-ordinated the submission of Council data to the Cabinet Office NFI team in October and December 2018 (as reported as part of the September to December Audit and Assurance update report) and the subsequent matches were received in January 2019. The Service has liaised with other services including the Council’s Fraud and Enforcement team to ensure key data matches are being followed up. Progress in following up the data matches will be reported in Audit updates in 2019/20.

Investigations

- 4.5.3 A report which will include details regarding counter fraud investigations will be issued by the Counter Fraud and Enforcement Team in July 2019. In respect of one of the cases investigated by the team during the year which is not yet complete, Internal Audit has liaised

with relevant management to consider related internal controls to reduce future risks of fraud in respect of the service area investigated. Further details in relation to this will be reflected in future Counter Fraud team reporting and Audit and Assurance updates as appropriate.

- 4.5.4 Some concerns have been raised during the latter part of the year in relation to financial administration within specific service areas. No specific allegations of fraud have been made but Audit is taking account of the issues raised in planning areas for audit during 2019.

Policies

- 4.5.5 During 2018/19, Audit continued to liaise with relevant services including Legal Services to review aspects of existing anti-fraud relating policies and procedures and provide advice in respect of possible updates to existing procedures. Details of any agreed changes to revised policies will be reported in future Audit and Assurance updates.

4.6 Procurement / Contracts

- 4.6.1 Audit and Assurance undertakes reviews of procurement arrangements and processes to ensure the Council strives to achieve value for money and undertakes procurement in accordance with relevant legislation and the Contract Procedure Rules.
- 4.6.2 As part of internal audit planning, the Service continues to liaise with the STAR Shared Procurement Service and Internal Audit sections of the partner authorities (Stockport, Rochdale and Tameside Councils). Audit plans were co-ordinated and relevant findings from work shared to ensure an efficient audit process.
- 4.6.3 Listed below are the audits completed, including the lead Authority within STAR for completing the audit and also the opinion level given (It should be noted that Rochdale and Stockport utilise different sets of opinion levels so in each case the equivalent level at Trafford is shown and there is further explanation in Appendix C). Details of overall findings were included in the respective update reports for CLT and the Accounts and Audit Committee, and for reports issued in the final quarter, a summary of findings is shown in Appendix A:

Reported in the April to August 2018 Audit and Assurance update:

- STAR Quality Management System (STAR Authorities – Stockport lead) - Medium
- STAR Procurement: Contracts Register (STAR Authorities – Rochdale lead) - Medium.

Reported in the September to December 2018 Audit and Assurance update:

- Contract Procedure Rules (STAR Authorities – Stockport lead) - Low/Medium and Medium opinions for different aspects of the review covered. (As previously reported, recommendations include further developing processes for monitoring adherence to the Contract Procedure Rules and also areas in relation to staff training and awareness. Progress will be followed up in liaison with STAR in 2019/20).

Issued in Quarter 4 2018/19 (See Appendix A for overall findings):

- STAR Procurement: Financial vetting of suppliers follow-up (STAR Authorities – Trafford lead) - Medium/High.
- STAR Procurement :Chest Procurement Portal follow-Up (STAR Authorities – Rochdale lead) - Medium

4.6.4 Further review work to be undertaken in liaison with STAR in 2019/20 is reflected in the 2019/20 Internal Audit Plan.

4.6.5 Audit and Assurance provided input to the Authority's contract monitoring of the One Trafford Partnership between the Council and Amey in respect of the monitoring of performance indicators. This included supporting management in validating supporting data and providing advice in respect of the processes supporting the monitoring of some key performance indicators. Further audit work planned in this area will be agreed for 2019/20.

4.6.6 In addition, as reported in the 2019/20 Internal Audit Plan, 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.

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

4.7 ICT Audit / Information Governance

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

4.7.2 An audit of the Council's cyber security arrangements was previously completed in 2016 and a further audit was completed to assess progress in implementing recommendations. A final report was issued in July 2018. The review found that progress had been made, with further actions planned. Of the 14 recommendations previously made, five had been fully implemented, seven in progress and two to be implemented. Planned areas for improvement include development of improved disaster recovery arrangements.

4.7.3 A planned review was completed in 2017/18 of the Council's IT software licensing arrangements. A number of recommendations made in the audit report related to controls that would be improved through the implementation of a software asset management system. Initial follow-up work was undertaken in 2018/19 showing progress had been made with the purchase of a system but further review work will be undertaken to assess progress in implementing all the previous recommendations.

4.7.4 Similarly, an audit review was also originally completed in 2017/18 of the IT Service desk. A position statement in respect of the recommendations made was provided to ICT in September

2018 and there was agreement that a further follow-up audit would be included in the 2019/20 Internal Audit Plan where an updated audit opinion would be provided. Recommendations to be progressed include reviewing current performance measurement with the development of a range of performance targets.

- 4.7.5 A follow-up audit report of IT Change Management processes was issued in November 2018. Significant progress had been made in implementing recommendations made in the previous audit review. Recommendations had either been implemented or being progressed with further actions planned in relation to system development.
- 4.7.6 By the year-end, an audit was in progress of an IT application controls review of the ITrent Payroll system. An audit report is to be issued in quarter one of 2019/20.
- 4.7.7 A presentation was provided to the Accounts and Audit Committee on Cyber Resilience by the Chief Digital Officer in March. This included reference to the Council's Draft Digital Strategy. In supporting this, there are reviews in the 2019/20 Internal Audit Plan, including an internal audit assessment against the National Institute of Standards and Technology (NIST) Cyber Security Framework.
- 4.7.8 Audit has continued to contribute to ongoing developments in relation to the Council's approach to Information Governance. This has included input to the Information Security Governance Board (ISGB) (See 4.2.3 and 4.10.3). Audit undertook review work as follows:
- A final audit report was issued in January 2019 regarding the effectiveness of the current procedures for reporting, responding to and managing data breaches, in relation to General Data Protection Regulations (GDPR) requirements. It is noted that the Council has established defined procedures to meet requirements but some recommendations were made to enhance these. These included reporting arrangements and also ensuring adequate follow up of any recommendations made to ensure necessary actions have been taken to improve processes following a data breach incident. There will be a follow-up of this audit in 2019/20.
 - Audit completed a brief independent check of the Council's completed NHS Data Security and Protection Toolkit prior to its required submission to the Department of Health and Social Care in March 2019. The Toolkit is an online system which enables organisations to assess themselves or be assessed against specified data security standards. The submission was completed as required in March 2019 and where standards were not fully met, areas for improvement were included in an action plan to be completed by September 2019.
- 4.7.9 In addition to the follow up review of data breaches, it was also confirmed in the 2019/20 Internal Audit Plan that an audit will be carried out of procedures in relation to dealing with Subject Access Requests (SARs), ensuring the requirements of GDPR are being met. Audit will continue to liaise with the Information Governance team to consider risks in relation to records management and possible further review work as part of ongoing audit planning.

4.8 **Other Business Risks**

- 4.8.1 This comprises various work that does not fall into one of the categories referred to above but represents areas of business risk. This includes authority-wide review work and reviews of specific services and establishments within individual Directorates. Risks reviewed encompassed a number of areas of control such as procedures and responsibilities, adherence to legislation and internal procedures, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), purchasing, income collection and recording and other areas of risk specific to the service under review.
- 4.8.2 There were 11 final audit reports issued in this category with at least Medium (Adequate) or above audit opinions given for nine audits and less than adequate opinions for the two other reports (Low/Medium opinions). Listed below are the audits completed with the respective Directorate and also opinion level given. Details of overall findings were included in the respective update reports for CLT and the Accounts and Audit Committee, and for reports issued in the final quarter, a summary of findings is shown in Appendix A.

Final Reports issued:

Reported in the April to August 2018 Audit and Assurance update:

- Old Trafford Library (Governance and Community Strategy) - Medium/High
- Registration Service (Governance and Community Strategy) – Medium/High
- Bereavement Services (People) - High
- Let Estates (Place) – Medium/High
- Pest Control (Place) – Medium/High

Reported in September to December 2018 Audit and Assurance update:

- Business Continuity (Authority- Wide) - Low/Medium
- Stronger Families Programme (Children's Services) - Medium

Issued in Quarter 4 2018/19 (See Appendix A for overall findings):

- Client Finances: Appointees and Deputyships (Finance and Systems) – Medium/High
- Trafford Town Hall Catering Income (People) - Medium
- Environmental Health – Food Safety (Place) – Medium/High
- Aids and Adaptations (Adults' Services) – Low/Medium

- 4.8.3 There will be further follow up audit reviews completed in respect of the reviews where Low/Medium opinions were given to further assess progress in implementing audit recommendations previously made i.e. reviews of Business Continuity arrangements across the Council and also an audit of processes supporting the Aids and Adaptations service.
- 4.8.4 In addition to the above completed reviews, a further two planned pieces of work were completed which had been included in the 2018/19 Plan but where formal audit opinion reports were not issued at this stage. As part of work supporting monitoring of the One Trafford Partnership, Audit provided a note advising on findings and recommendations from

an exercise supporting the Place Directorate in reviewing performance indicators in respect of Energy Management. Secondly, in respect of a follow-up audit in respect of payments to care leavers, a note was provided on findings with reference to that most points were being covered as part of a separate audit of the Children's Social Care Payments System (as per 4.3.3).

- 4.8.5 There were three audits in progress by the year-end with reports to be issued in 2019/20:
- Statutory Homelessness Services (Place)
 - Licensing (Place) / (Constitutional Reform and Resident Engagement)
 - Section 17 Payments (Children's Services)

- 4.8.6 As referred to in the 2019/20 Internal Audit Plan, there are a number of reviews originally planned for 2018/19 that had not started and were rescheduled to 2019/20 and these are also listed in Appendix C under "Assurance - Other Business Risks".
- Altrincham Library (Governance and Community Strategy)
 - Flixton House (People)
 - Music Service (People)
 - Planning Enforcement (Place)
 - Strategic Growth Team (Place)

4.9 Grant Claims

- 4.9.1 Audit has been required to carry out checks to support information contained in a number of grant claims made during the year in line with national requirements in relation to funding received. In each case, based on the checks undertaken, adequate assurance was obtained to support the claims made.

- 4.9.2 During 2018/19, work included internal audit checks of the following:
- Local Growth Fund 2017/18 (completed July 2018)
 - Cycle City Grant 2017/18 (completed September 2018)
 - Pot Hole Fund Grant 2017/18 (completed September 2018 and March 2019)
 - Disabled Facilities Grant 2017/18 (completed October 2018).

4.10 Service advice/ Projects/ Boards

- 4.10.1 Advice was provided through the year across the Council on governance and control issues. As referred to in 4.2, Audit has contributed to updating guidance in respect of risk management. Audit has also responded to requests through the year to provide guidance on various aspects of internal control including cash and asset security. The Audit and Assurance intranet site includes information on the role of Audit and associated guidance for services in respect of risk management, governance and anti-fraud and corruption which has been updated during the year.

- 4.10.2 In accordance with the Internal Audit Plan, Audit provided advice to Trafford Leisure Community Interest Company (CIC) in respect of advice on its financial controls. As agreed

in 2018/19, this related to advice in respect of financial administration relating to Altrincham Golf Course.

4.10.3 Audit has contributed to the work of the Information Security and Governance Board and will continue to be a member in 2019/20.

5. MANAGEMENT RESPONSE TO INTERNAL AUDIT WORK

5.1 This section sets out the response to, and impact of, internal audit work during the year. Key indicators of Audit and Assurance's impact are :

- Acceptance of recommendations
- Implementation of them.

5.2 Recommendations issued by the Audit and Assurance Service had one of three priority levels as follows:

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

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

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

Acceptance of Recommendations

5.3 Most audit recommendations made during the year were accepted by management. Of the 140 Priority 1 recommendations made, 137 were accepted i.e. 98%. (Of these 72 recommendations related to school audits of which 71 were accepted).

5.4 The acceptance rate for priority 2 or 3 recommendations was also 98% (198 out of 203 recommendations). Of these, 128 recommendations related to school audits with 4 recommendations not agreed and 75 recommendations relating to all other audits with only 1 recommendation not agreed).

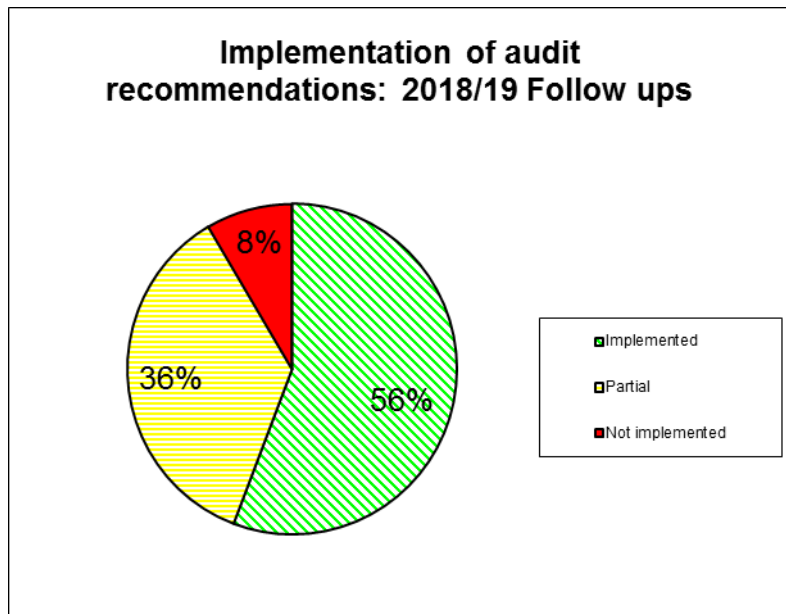
5.5 Therefore, overall, 98% of all recommendations were accepted (same rate as 2017/18). The service target is currently set at 95%.

Implementation of audit recommendations

5.6 A number of internal audit reviews are followed up approximately 12 months after the issue of the final report to ascertain what progress has been made in implementing recommendations. This may be either through a further audit review or through manager self- assessment.

5.7 Details of individual follow up reviews for the first three quarters of the year are set out in the respective Audit and Assurance update reports issued through the year. Details of individual follow-up audits for the final quarter of 2018/19 are included in Appendix A together with details of the acceptance rate for recommendations in that quarter.

5.8 For all follow up work undertaken, an analysis of the percentage of recommendations implemented at the time of the respective follow up reviews is shown in the following chart.



5.9 From the reviews undertaken, of a total of 260 recommendations followed-up during 2018/19, it was reported that 145 (56%) had been implemented at the time of the follow up audit reviews (compared to 82% of a total of 155 recommendations followed up in 2017/18). A further 93 (36%) have been partially implemented / in progress (13% reported in the previous year). 22 recommendations (8%) have not been implemented (compared to 5% in the previous year).

5.10 It should be noted that of the above 260 recommendations analysed above, these relate to the following in terms of recommendations excluding schools and recommendations specific to school audits.

Recommendations Followed Up Excluding Schools		Recommendations followed up- School Audits	
Total Number	174	Total Number	86
Recommendations Implemented or no longer applicable	36%	Recommendations Implemented or no longer applicable	95%
Recommendations Implemented in part/in progress	52%	Recommendations Implemented in part/in progress	4%
Recommendations not implemented	12%	Recommendations not implemented	1%

There are a number of audit reviews included in the 2019/20 Internal Audit Plan to undertake further follow up work in relation to audits where recommendations have been reported in 2018/19 as being in progress or not implemented.

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

Client feedback

- 5.11 A client questionnaire is sent out with each audit report canvassing managers' views on the audit review. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management.
- 5.12 The overall rating was good or very good for 98% of the responses (97% in 2017/18) against a service target of 85%. In terms of impact, 82% of respondents stated that following the audit review, it was expected that there would either be a moderate improvement (64%) or significant improvement (18%) in the standard of control. An analysis of the responses is shown in Appendix D.
- 5.13 The analyses of recommendations, follow-ups and client responses continues to demonstrate an overall positive response to internal audit work which contributes to continued improvements in governance and control arrangements across the Council.

6. PERFORMANCE AGAINST AUDIT PLAN

- 6.1 Actual time spent delivering the Plan was 901 days (84% of the chargeable planned target of 1080 allocated days). An analysis of planned operational audit time against actual days spent in 2018/19 is shown in Appendix B. Within each category, there are some variations between planned and actual days and where applicable this has been taken into account in planning allocated time within the 2019/20 Internal Audit Plan. The overall difference between planned days and total days spent is largely accounted for by the secondment of one of the audit staff for most of 2019/20. Available resources were considered through the year to ensure account was taken of priorities, including in relation to statutory duties, specific deadlines and risk areas to follow up from previous years e.g. in relation to the certification of grant claims, input to the Annual Governance Statement, follow-up audits etc.

- 6.2 In the 2018/19 Internal Audit Plan, a target was set of 40 audit opinion reports to be issued to either final or draft stage. There were 32 final audit opinion reports issued and 3 initial draft versions of reports shared with management by the end of March 2019, totalling 35 reports. (There were also 4 other final audit opinion reports issued in relation to the STAR Procurement Service by partner authorities).
- 6.3 In addition to the above, a further 7 reviews were in progress where audit opinion reports will be issued in 2019/20. In addition to the 35 opinion reports issued, a further 4 findings reports were issued where an audit opinion was not given but findings provided as advice and will be used for future reference in planning further audit work.
- 6.4 Appendix C shows an analysis of audit opinion reports issued during the year. It also highlights any work in progress or scheduled for 2019/20. The 2019/20 Internal Audit Plan reported to CLT and the Accounts and Audit Committee in March 2019 took account of reviews to be carried forward from 2018/19.

7. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 7.1 It is a requirement that the Annual Head of Internal Audit Report provides a statement on conformance with the Public Sector Internal Audit Standards (PSIAS).
- 7.2. The Standards incorporate a number of aspects including:
- Ethics (incorporating integrity, independence, objectivity, confidentiality and competency).
 - Purpose, authority and responsibility of Internal Audit.
 - Standards (including planning, undertaking and managing audit assignments, monitoring, communication, due professional care, quality assurance and improvement).
- 7.3 In the previous year, following the PSIAS external assessment of Internal Audit by CIPFA, it was reported in February 2018 that CIPFA's overall opinion was that the Audit and Assurance Service generally conforms to PSIAS (the possible levels of assurance provided by CIPFA to local authorities being "generally conforms", "partially conforms" or "does not conform"). It was noted in the 2017/18 Annual Head of Internal Audit Report that for 2018/19, the Audit and Assurance Service will complete a self- assessment exercise at the end of 2018/19 to further review processes in place against PSIAS. Based on this exercise, using the CIPFA PSIAS Local Government Application Note, it is considered that the Service continues to generally conform with the Standards. Some actions were identified to ensure continued conformance through 2019/20:
- Actions to be undertaken through 2019/20 to ensure there continues to be adequate audit staffing capacity. This will include a recruitment exercise later in 2019 (PSIAS 2030 - resource management).
 - Declaration forms completed by staff to confirm independence, any potential conflicts of interests and understanding of relevant audit standards, will be updated to included reference to the updated PSIAS Local Government Application Note. (PSIAS Core Principles - Demonstrating Integrity)

- Further updates of the Audit Manual to be made where applicable and shared with existing and any new staff (PSIAS 2040 Policies and procedures).

7.4 In accordance with its Quality Assurance and Improvement Programme, the Service continued to report on its work through the year to both CLT and the Accounts and Audit Committee which included both updates on progress against the 2018/19 Plan; the impact of audit work; client feedback and approval of the Internal Audit Plan for 2019/20.

INTERNAL AUDIT REPORTS ISSUED IN QUARTER 4 2018/19

Points of Information

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

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

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

Report Status:

Draft reports:

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

Final reports:

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

Breadth of coverage of review (Levels 1 to 4)

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

- **Level 4 : Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
- **Level 3 : Directorate wide** - Area under review has a significant impact within a given Directorate.
- **Level 2 : Service wide** - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments.
- **Level 1 : Establishment / function specific** - Area under review relates to a single area within the council such as an individual establishment.

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1- 4)	-OPINION -R/A/G -Date Issued	COMMENTS
<u>FINAL REPORTS</u>		
<u>Level 4 Reports:</u>		
STAR Procurement -Financial vetting of suppliers (Finance and Systems / (Finance)	Medium/High* (GREEN) (26/2/19)	A review had previously been completed in February 2018 and this review followed up on recommendations made. Previously, it was found that the STAR Shared Procurement Service undertakes financial checks of suppliers in accordance with its agreed procedures and national guidelines but some recommendations were made to ensure a consistent approach for evidencing that checks had taken place. Of the four recommendations made, 3 had been implemented and the other was being progressed.
STAR Procurement Service:Chest Procurement Portal follow-Up - Rochdale Council (Finance and Systems) / (Finance)	Adequate** (GREEN) (27/3/19)	A review had previously been completed by Rochdale Council on behalf of Stockport, Trafford and Rochdale Councils. Previously, it was found that there is satisfactory control over the e-tendering process within the Chest procurement portal. The system meets the principal objectives of providing an externally hosted and secure e-sourcing portal, enabling a range of procurement routes, advertising of procurement opportunities and providing bidders with relevant information with which to submit bids and to receive those bids. Some areas for improvement were identified including issues in relation to IT access controls. Of the 11 recommendations previously made, 7 had been implemented and 1 was in progress. Of the 3 recommendations to be implemented, this included the need to introduce internal checks to ensure there is a consistent approach for storing key procurement documents on the system.
Data breaches (Governance and Community Strategy/Authority- wide) / (Constitutional Reform and Resident Engagement)	Medium (GREEN) (24/1/19)	The purpose of the review was to consider the effectiveness of the current procedures for reporting, responding to and managing data breaches, in relation to GDPR requirements. It is noted that the Council has established defined procedures to meet requirements but some recommendations were made to enhance these. These included reporting arrangements and also ensuring adequate follow up of any recommendations made to ensure necessary actions have been taken to improve processes following a data breach incident.
<u>Level 3 Reports:</u>		
Children's Direct Payments System (Children's Services) / (Children's Services)	Medium/High* (GREEN) (23/1/19)	The audit included follow up of the previous review recommendations reported in 2017. It was noted four recommendations were fully implemented whilst the remaining seven recommendations were either implemented in part or being progressed. Areas for further work included the need to update the Children's Direct Payments Policy. In addition, as part of the quality assurance checks undertaken by the Social Care Review Officers, there is a need to ensure a signed Direct Payment Agreement is in place for all care packages with a copy retained.

Level 2 Reports:		
Trafford Town Hall Catering (People) / (Equalities and Partnerships)	Medium (GREEN) (24/1/19)	The audit covered administrative and financial processes within the Trafford Town Hall restaurant which serves both staff and the general public. The audit confirmed that income is controlled and monitored through daily record keeping and budget monitoring processes. An area for improvement is the need to introduce effective stock monitoring records.
Environmental Health – Food Safety (Place) / (Constitutional Reform and Resident Engagement)	Medium/High (GREEN) (15/2/19)	Overall, systems and procedures have been maintained to a high standard. Audit confirmed that fees are raised and income monitored as appropriate. One of the areas for improvement was in relation to managing a back log of inspections for new food premises.
Client Finance system - Appointees and Deputyships (Finance and Systems) / (Finance and Adult Social Care)	Medium/High* (GREEN) (4/2/19)	The Council acts in the capacity of Appointee or Deputy for managing vulnerable clients' finances where no other options are available. The Client Finance System comprises the banking arrangements, supporting records and processes for managing client funds. With the introduction of a new system (Liquid Logic/ContrOCC), four out of eight previous audit recommendations have been implemented with progress being made with all other recommendations. One of the agreed areas for improvement included ensuring an up to date Client Services Policy and eligibility criteria are available to relevant stakeholders, including via the Council website.
Aids and Adaptations (Adults' Services) / (Adult Social Care)	Low/Medium* (AMBER) (7/2/19)	The Aids & Adaptations Service manages the provision of major and minor home adaptations, delivered through a number of service contracts and partnership arrangements. The Audit opinion reflects that whilst some progress has been made implementing the previous audit recommendations, a significant number of areas require further progress. Of the 20 recommendations made in the December 2017 report, as at February 2019, 5 were fully implemented, 13 met in part / in progress and 2 yet to commence. The report highlighted issues to be addressed include staffing capacity, developments in partnership working and contract management. Audit will liaise further with management in 2019/20 and follow-up progress on actions being taken.
Level 1 Reports:		
Willows Primary School (Children's Services) / (Children's Services)	Medium/High (GREEN) (11/2/19)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. A small number of recommendations were made such as in relation to the school fund including the need for a school fund audit each year.
Navigation Primary School (Children's Services) / (Children's Services)	Medium/High (GREEN) (22/3/19)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. A small number of recommendations were made such as in relation to security and independent checks of petty cash held.
Flixton Primary School (Children's Services) / (Children's Services)	Medium (GREEN) (22/3/19)	Overall, systems, procedures and controls in place were found to be adequate but existing systems and processes could be enhanced in certain areas. A number of recommendations have been made including

(Children's Services)	in relation to the update / approval of a number of school policies and procedures e.g. review and approval by the Governing Body of the financial procedures manual, business continuity and disaster recovery plan and policy on gifts and hospitality.
REPORTS AT DRAFT STAGE	As at 31/3/2019, for all of the reports listed below, initial draft reports were shared with the respective services. Details of the respective final reports, including the audit opinion, will be included in the next Audit and Assurance update report.
Children Social Care Payments System : Liquid Logic / ContrOCC (Children's Services) / (Children's Services)	
Heyes Lane Primary School (Children's Services) / (Children's Services)	
St. Hugh of Lincoln RC Primary (Children's Services) / (Children's Services)	
	<p><i>*Denotes this is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review.</i></p> <p><i>** This follow-up review provided an "Adequate Opinion" which is considered equivalent to an opinion of "Medium" per the Trafford Council framework and the opinion is therefore shown as "Green".</i></p>

Quarter 4 2018/19 - Acceptance of Recommendations

From the final audit opinion reports issued during the quarter (as listed above) 95 of the 100 recommendations made were accepted (95%).

APPENDIX B

2018/19 Operational Plan: Planned Work and Actual Days Spent

<u>Category</u>	<u>Details</u>	<u>Planned Allocated Days 2018/19</u>	<u>Actual Days 2018/19</u>
Fundamental Systems	<p>Completion of fundamental financial systems reviews: See Section 4.3 for work completed and Appendix C for opinion reports issued or planned to be issued.</p>	180	122
Governance	<p>Corporate Governance / Annual Governance Statement (AGS) – to provide support and advice to Legal and Democratic Services.</p> <p>Complete a review of the content of the draft 2017/18 AGS with reference to the CIPFA/SOLACE Governance framework and guidance.</p> <p>Ongoing advice / assurance in respect of governance issues.</p> <p>Audit worked with Legal and Democratic Services to provide guidance for planning the process for producing the 2017/18 AGS and the 2018/19 AGS.</p> <p>A review was completed as planned of the Draft AGS.</p> <p>An audit review was added to the Audit Plan to assess procedures for the declarations of gifts and hospitality by officers, which was completed in October 2018 (See Section 4.1 and Appendix C under Governance).</p>	30	19
Corporate Risk Management	<p>Actions to support the Council's Risk Management Strategy including:</p> <ul style="list-style-type: none"> - facilitating the update of the strategic risk register - provision of guidance and reviewing existing Service / Directorate level risk registers to consider areas for development. <p>Strategic Risk update reports issued as planned to</p>	35	26

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	<p>CLT and the Accounts and Audit Committee through 2018/19.</p> <p>Risk management guidance on the intranet updated during 2018/19.</p> <p>Other work undertaken as indicated in Section 4.2 of the report.</p>		
Anti-Fraud and Corruption	<p>The Service will continue to support the National Fraud Initiative (NFI) and will liaise with other services to ensure the Council provides data in accordance with the requirements of the NFI 2018/19 exercise.</p> <p>Investigation of referred cases of suspected theft, fraud or corruption.</p> <p>Other work to support the Ant-Fraud and Corruption Strategy, including where applicable working with other relevant services to review existing policies and guidance supporting the overarching strategy.</p> <p>For work undertaken in respect of NFI, investigations and policies/guidance see section 4.5.</p>	110	89
Procurement / Contracts/ Value for money	<p>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).</p> <p>See Section 4.6 for work completed and Appendix C for opinion reports issued and planned.</p>	80	53
ICT / Information Governance	<p>ICT Audit reviews completed by Salford Internal Audit Services.</p> <p>ICT related investigations where applicable.</p> <p>Information Governance audit reviews</p> <p>See Section 4.7 for work completed and Appendix C for audit opinion reports issued and planned.</p>	100	97
Schools	<p>Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard (SFVS).</p>	180	181

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	<p>Audit reviews of schools – at least 14 school audit visits to be undertaken during the year.</p> <p>See Section 4.4 for work completed and Appendix C for audit opinion reports issued and planned (11 final reports issued; 2 draft reports shared with Headteachers; 1 other visit completed and other work in progress to plan for other audit visits in 2019/20).</p>		
<p>Assurance – Other Business Risks</p>	<p>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:</p> <ul style="list-style-type: none"> - Audit reviews - Follow up reviews including further audits and gaining assurance from service updates. <p>See Section 4.8 for work completed and Appendix C for audit opinion reports issued and planned.</p>	250	210
<p>Grant claims checks / Data Quality</p>	<p>Internal audit checks of grant claims / statutory returns as required:</p> <p>Grant checks completed as required (Local Growth Fund; Cycle City Grant; Pot Hole Fund Grant and Disabled Facilities Grant - See section 4.9).</p>	35	25
<p>Service Advice / Projects</p>	<p>General advice, both corporately and across individual service areas.</p> <p>Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues.</p> <p>As per Section 4.10 this has included:</p> <ul style="list-style-type: none"> - Contributing to work of the Information Security Governance Board; - Guidance shared with schools; - Other guidance and advice through the period, including liaison with Trafford Leisure. 	80	79
TOTAL		1080*	901

*Note a further 60 days in addition to the 1080 days were allocated as contingency.

Audit Opinion Reports Issued 2018/19

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<u>Audit Opinion Reports: Title / (Corporate Directorate)/ (Executive Portfolio as at 31/3/19)</u>	<u>Status</u>	<u>Opinion Level</u>	<u>Future plans (where final report not yet issued)</u>
Fundamental Systems			
- Income Control (Finance and Systems) / (Finance)	Final report 4/6/18	High	-
- Adult Social Care Payment System: Liquid Logic/ContrOCC (Adults' Services) (Adult Social Care)	Final report 25/5/18	Medium*	-
- Direct Payments (Adults' Services) (Adult Social Care)	Final report 29/11/18	Medium*	-
- Treasury Management (Finance and Systems / (Finance)	Final report 3/10/18	High	-
- Accounts Payable (Finance and Systems) / (Finance)	Purchase Cards review in progress	-	Purchase cards draft report to be issued in Q1/main Accounts Payable review to commence Q1 of 2019/20
- Payroll (People) / (Equalities and Partnerships)	Not started	-	Starting in Q1 of 2019/20
- Children Social Care Payments System : Liquid Logic/ContrOCC ((Children's Services) / (Children's Services)	Draft report	-	Final report issued in Q1 of 2019/20
- Direct Payments (Children's Services) / (Children's Services)	Final report 23/1/19	Medium/High*	-
- Budgetary Control (Finance and Systems /Authority- wide)	Not started	-	Included in 2019/20 Plan
Governance			
- Declaration of gifts and hospitality (Governance and Community Strategy/Authority-wide) / (Constitutional Reform and Resident Engagement)	Final report 5/10/18	Medium	-
Procurement /Contracts /Value for money			
- Contracts Register (STAR Authorities – Rochdale lead) (Finance and Systems) / (Finance)	Final report 1/8/18	Adequate**	-
- Contract Procedure Rules (STAR Authorities – Stockport lead) (Finance and Systems/Authority-Wide) /	Final report 22/11/18	Limited /Moderate***	-

(Finance) - Social Value in Procurement (including follow up) (STAR authorities – Trafford lead) (Finance and Systems/Authority Wide) / (Finance)	Not started	-	Included in 2019/20 Plan
- STAR Quality Management System (STAR Authorities – Stockport lead) (Finance and Systems) / (Finance)	Final report 26/6/18	Moderate**	-
- Chest Procurement Portal (follow up) (STAR Authorities – Rochdale lead) (Finance and Systems) / (Finance)	Final report 27/3/19	Adequate**	-
- Financial vetting of firms (follow up) (STAR Authorities – Trafford lead) (Finance and Systems) / (Finance)	Final report 26/2/19	Medium/High*	-
- STAR Performance Indicators (Finance and Systems) / (Finance)	Not started	-	Included in 2019/20 Plan (STAR – Stockport lead)
- STAR - New vendor requests (Finance and Systems) / (Finance)	Not started	-	Included in 2019/20 Plan (STAR – Rochdale lead)
- Commissioning of children’s external residential placements (Children’s Services) / (Children’s Services)	Not started	-	Included in 2019/20 Plan
Information Governance / ICT Audit			
- IT Change Management follow-up audit (Finance and Systems) / (Constitutional Reform and Resident Engagement)	Final report 27/11/18	Medium/High*	-
- ITrent Payroll System IT Application Controls (People & Finance and Systems) / (Equality and Partnerships & Finance & Constitutional Reform and Resident Engagement)	In progress	-	Final report to be issued in 2019/20
- Software Licensing - follow up (Finance and Systems) / (Constitutional Reform and Resident Engagement)	Initial update completed and findings shared	-	Further follow up review to be undertaken in 2019/20
- IT Service Desk – follow up (Finance and Systems) / (Constitutional Reform and Resident Engagement)	Initial update completed and findings shared	-	Further follow up review to be undertaken in 2019/20
- Cyber Security follow-up (Finance and Systems) / (Constitutional Reform and Resident Engagement)	Final report 2/7/18	Medium*	-
- Information Security Management (ISO 27001 Gap Analysis) (Finance and Systems) / (Constitutional Reform and Resident Engagement)	N/A	-	Agreed with ICT Service that coverage will be considered as part of 2019/20 Cyber Security audit work.
- Data breaches (Governance and Community Strategy/Authority-Wide) / (Constitutional Reform and	Final report 24/1/19	Medium	-

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Resident Engagement)			
Schools			
-Flixton Primary School	Final report 22/3/19	Medium	-
-Navigation Primary School	Final report 22/3/19	Medium/High	-
-Willows Primary School	Final report 11/2/19	Medium/High	-
-St. Antony's Catholic College	Final report 28/11/18	Medium	-
-Our Lady of Lourdes Catholic Primary School	Final report 27/11/18	Medium/High	-
-Altrincham C of E Primary School	Final report 20/11/18	Medium/High	-
-Woodhouse Primary School	Final report 5/10/18	Medium	-
-Templemoor Infant and Nursey School	Final report 5/10/18	Medium/High	-
-Bowdon Church School	Final report 15/5/18	Medium	-
-The Firs Primary School	Final report 8/5/18	Low/Medium	-
-Trafford Alternative Education (Trafford High School and Trafford Medical Education Service)	Final report 2/5/18	Medium	-
- Heyes Lane Primary School	Initial draft report shared with Headteacher	-	Final report to be issued in Q1 of 2019/20
-St. Hugh's of Lincoln RC Primary School	Initial draft report shared with Headteacher	-	Final report to be issued in Q1 of 2019/20
-Delamere School	Audit visit completed	-	Final report to be issued in Q1 of 2019/20
-English Martyrs' RC Primary School	In progress	-	Final report to be issued in Q1 of 2019/20
-Highfield Primary School	Rescheduled to 2019/20	-	Included in 2019/20 Plan
-Egerton High School	Rescheduled to 2019/20	-	Included in 2019/20 Plan
(Note all school reports relate to (Children's Services) / (Children's Services)			
Assurance – Other Business Risks			
- Old Trafford Library (Governance and Community Strategy) / (Communities and Housing)	Final report 10/7/18	Medium/High	-
- Bereavement Services (People) / (Equalities and Partnerships)	Final report 21/5/18	High	-
- Trafford Town Hall - Catering Income (People) / (Equalities and Partnerships)	Final report 24/1/19	Medium	-
- Let Estates (Place) / (Investment, Regeneration and Strategic Planning)	Final report 8/5/18	Medium/High	-
- Client Finances - Appointees and Deputyships (Finance and Systems) / (Finance and Adult Social	Final report 4/2/19	Medium/High*	-

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Care)			
- Section 17 Payments (Children's Services) / (Children's Services)	In progress	-	Final report to be issued in 2019/20
- Music Service (People) / (Equalities and Partnerships)	Not started	-	Starting in Q1 of 2019/20
- Altrincham Library (Governance and Community Strategy) / (Communities and Housing)	Not started	-	Included in 2019/20 Plan
- Flixton House (People) / (Equalities and Partnerships)	Not started	-	Included in 2019/20 Plan
- Registration Service (Governance and Community Strategy) / (Constitutional Reform and Resident Engagement)	Final report 20/7/18	Medium/High	-
- Licensing (Place) / (Constitutional Reform and Resident Engagement)	In progress	-	Draft report to be issued in Q1 of 2019/20
- Planning Enforcement (Place) / Investment, Regeneration and Strategic Planning)	Not started	-	Included in 2019/20 Plan
- Pest Control (Place) / (Constitutional Reform and Resident Engagement)	Final report 14/8/18	Medium/High	-
- Environmental Health – Food Safety (Place) / (Constitutional Reform and Resident Engagement)	Final report 15/2/19	Medium/High	-
- Strategic Growth Team (Place) / (Investment, Regeneration and Strategic Planning)	Not started	-	Included in 2019/20 Plan
- Statutory Homelessness Services (Place) / (Communities and Housing)	In progress	-	Final report to be issued in Q1 of 2019/20
- Energy Management (Place) / (Environment, Air Quality and Climate Change)	Work completed (Findings shared with management)	N/A	Further work to be considered as part of future audit planning.
- Payments to Care Leavers - follow up (Children's Services) / (Children's Services)	Work completed (Findings shared with management)	N/A	Several issues reported as part of a separate final audit report of the Children's Social Care system (Liquid Logic) issued in April 2019
- Aids and Adaptations - follow up (Adults' Services) / (Adult Social Care)	Final report 7/2/19	Low/Medium*	-
- Business Continuity – follow up (Authority- Wide) / (Constitutional Reform and Resident Engagement)	Final report 29/11/18	Low/Medium*	-
- Stronger Families Programme (Children's Services) / (Children's Services)	Final report 17/10/18	Medium*	-

*Follow up review

** An "Adequate Opinion" (provided by Rochdale Council) and "Moderate Opinion" (provided by Stockport Council) was provided which is considered equivalent to an opinion of "Medium" per the Trafford Council framework and the opinion is therefore shown as "Green".

***Audit completed by Stockport Council - Two levels of assurance were given within the same audit for different areas covered – Moderate equates to Medium and Limited equates to Low/Medium per the Trafford Council framework.

APPENDIX D

Client Survey Responses 2018/19

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	11				
Feedback of findings and liaison during the audit	10	1			
Professionalism of auditors	10	1			
Helpfulness of auditors	10	1			
Timeliness of the review and the draft report	8	2	1		
Clarity of the report	9	2			
Accuracy of the report	7	4			
Practicality of the recommendations made	6	4	1		
Usefulness of the audit as an aid to management	8	3			
Total	79	18	2	0	0
%	80%	18%	2%	0%	0%
	Very Significant	Significant	Moderate	Minor	None
What level of improvement, in the standard of control and the management of risks, do you expect to see following the audit review?	0	2	7	2	0
%	0%	18%	64%	18%	0%

(Note: the results are based on responses from 11 client surveys received in the period)

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 19 June 2019
Report for: Information
Report of: Cllr Barry Brotherton and Cllr Liz Patel - Chair and Vice -
Chair Accounts & Audit Committee (2018/19)

Report Title

Accounts and Audit Committee Annual Report to Council 2018/19.

Summary

The report sets out the 2018/19 Annual Report of the Accounts and Audit Committee to be submitted to Council.

Recommendation

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

Contact person for access to background papers and further information:

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

Background Papers:

None

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TRAFFORD
COUNCIL

Accounts & Audit Committee
Annual Report
To Council

2018-2019

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

The Accounts and Audit Committee has completed its planned programme of work through 2018/19 in order to provide independent assurance to the Council and the public on the effectiveness of the Council's governance, financial management, risk management and internal control arrangements.

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

The Committee continues to review its role against best practice. In line with updated guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018, the Committee sought to recruit an independent member and an appointment was approved by the Council in February 2019.

The Committee has covered a broad range of work through the year, gaining assurance from a number of sources. This report sets out the work of the Committee during 2018/19.



Councillor Barry Brotherton
Chair, Accounts & Audit Committee 2018-19



Councillor Liz Patel
Vice-Chair, Accounts & Audit Committee 2018-19

INTRODUCTION

Role of the Committee

The role of the Accounts and Audit Committee is to:

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

Assurance is gathered by the Committee mainly from the work of Finance Services (including Financial Management and Internal Audit), and External Audit (provided by Grant Thornton for the 2017/18 audit and Mazars for the 2018/19 audit). Relevant officers within these areas attended meetings through the year. This was supplemented by assurance and guidance from other sources where this was considered appropriate, for example from the Council’s managers and external advisors.

Purpose of the Report

The purpose of this report to Council is to:

- Summarise the work undertaken by the Accounts & Audit Committee during 2018/19 and the impact it has had.
- Provide assurance to the Council on the fulfilment of the Committee’s responsibilities.

Membership of the Committee

The Accounts & Audit Committee’s terms of reference state that its membership in terms of numbers shall be politically balanced within the Council’s current system, and shall not include any Members of the Executive. A non-voting member, with appropriate skills and experience, may be co-opted on to the Committee with the approval of the Council.

Accounts & Audit Committee Membership	
2018/19	2019/20
Cllr Barry Brotherton (Chair)	Cllr Barry Brotherton (Chair)
Cllr Liz Patel (Vice-Chair)	Cllr Liz Patel (Vice-Chair)
Cllr Jayne Dillon	Cllr Jayne Dillon
Cllr Jane Slater	Cllr Geraldine Coggins
Cllr Chris Boyes	Cllr Chris Boyes
Cllr Alan Mitchell	Cllr Alan Mitchell
Cllr Paul Lally	Cllr Paul Lally
Ms. Jeannie Platt*	Cllr Anne Duffield
	Cllr Judith Lloyd
	Ms. Jeannie Platt

*Appointed from March 2019 as a non-voting co-opted Member.

ACCOUNTS & AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED

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

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

The Committee derives its independent assurance from a number of sources including the work of External Audit, Financial Management, Internal Audit and managers across the Council. During the year, these sources of assurance were reported to the Committee on a regular basis encompassing all the themes identified in the Committee's Terms of Reference. The Committee received information at each meeting and provided challenge and feedback to officers and external auditors, therefore fulfilling its responsibilities during 2018/19.

The Committee agreed its work programme at the start of the year to ensure it met its responsibilities. For 2018/19, the work programme included reviewing regular updates on the work of external audit and internal audit; approval of the final accounts; budget monitoring reports through the year; updates on the Council's strategic risk register; treasury management updates on activity and approval of the treasury management strategy; and updates on anti-fraud and corruption, insurance and procurement activity.

The Committee received reports from the External Auditors (Grant Thornton in respect of the 2017/18 Accounts and Mazars in respect of work for the 2018/19 financial year onwards) and gained assurance that a handover process was in place to ensure a smooth transition following the change in External Auditor for 2018/19.

The Committee fulfilled its role in respect of the approval of the Council's accounts for 2017/18. In October 2018, the Committee had gained assurance through the 2017/18 Annual Audit Letter by the External Auditors (Grant Thornton), that an unqualified opinion was given on the 2017/18 financial statements. Assurance in terms of the outcome of the 2018/19 External Audit of the Council's financial statements and a conclusion on the Council's value for money arrangements will be reported later in 2019 to the Committee in the External Auditor's 2018/19 Annual Audit Letter (which will be completed by Mazars).

The Committee continued to monitor risks as reported through the strategic risk register reports and the Committee requested and received a further update on the Council's approach for managing cyber security risks.

In line with updated guidance issued by CIPFA in 2018, a recruitment process was undertaken to appoint an independent member to the Committee. Subsequently, an appointment was approved by the Council in February 2019.

The work programme covered consideration of training and awareness for Committee Members which included training sessions outside of the Committee meetings covering the Council's accounts and treasury management.

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

Accounts and Audit Committee – Work Completed During 2018/19

Internal Audit

Role of the Committee in relation to Internal Audit:

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

Work Completed	Outcome/ Impact
<p>June 2018 The Annual Head of Internal Audit Report was submitted, providing an opinion on the adequacy and effectiveness of the Council’s control environment during 2017/18 based on Internal Audit work undertaken during the period.</p> <p>October 2018 and February 2019 The progress of internal audit work conducted by the Audit and Assurance Service during 2018/19 was reported to the Committee through the year. This included summary findings from individual audit reviews, responses to audit reports, progress in implementing the annual audit plan and performance of the Audit and Assurance Service. Update reports were presented in October 2018 and February 2019.</p> <p>March 2019 The Committee reviewed the Internal Audit Charter and Strategy which were updated to reflect various service changes during 2018/19. A report was submitted setting out the 2019/20 Annual Internal Audit Plan.</p>	<p>The Annual Report and updates during the year ensured the Committee maintained an overview of the control environment (encompassing governance, internal control and risk management) reviewed by Internal Audit and also obtained assurance in respect of Internal Audit performance.</p> <p>Updates included details of areas reviewed where controls were found to be operating to a satisfactory standard and others within the Council where improvements were identified and audit recommendations made accordingly.</p> <p>The Accounts and Audit Committee approved both the updated Internal Audit Charter and Strategy, and the 2019/20 Internal Audit Plan.</p>

External Audit

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

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

Work Completed	Outcome/ Impact
<p>June 2018 The Committee received a report from Grant Thornton on the progress made in delivering its responsibilities as the Authority’s external auditor. It was noted that the 2017/18 accounts audit was underway and that a further report would be presented to the Committee at the meeting on 30 July 2018.</p> <p>The Committee received a report of Mazars, the Council’s newly appointed external auditor for 2018/19. The report highlighted Mazars’ approach and Members were advised that a handover process with Grant Thornton had been agreed.</p>	<p>The Committee was able to monitor progress in respect of external audit work, including details in respect of the change of external auditor from 2018/19 onwards.</p>
<p>July 2018 The Committee received a report on the findings to date from the External Auditor (Grant Thornton) in respect of the audit of the Council’s accounts for the year ended 31 March 2018 and its work to provide a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money conclusion).</p>	<p>At the time of the meeting further work was required to be completed by the External Auditor to resolve an accounting query. The Committee therefore agreed to delegate responsibility for the formal approval of the accounts to the Chair of the Accounts and Audit Committee. (See October 2018 update below for the final outcome of the audit of the financial statements and value for money conclusion).</p>
<p>October 2018 The Committee received the Council’s Annual Audit Letter for the year ended 31 March 2018, summarising the key findings arising from the work of the External Auditor, Grant Thornton.</p>	<p>The Annual Audit Letter confirmed that an unqualified opinion was given on the financial statements. It also confirmed that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.</p>

External Audit (Continued)	
Work Completed	Outcome/ Impact
<p>A report was presented from Mazars which set out key issues in relation to the transition from the previous external auditor, and initial planning and assessment work being carried out. The report also set out details of a range of national publications of potential interest to the Committee and its officers, and noted issues arising from the National Audit Office review of financial sustainability of local authorities.</p>	<p>The Committee was able to gain assurance that progress was underway in ensuring a smooth transition following the change in External Auditor.</p>
<p>February 2019</p> <p>The Committee received the External Audit Strategy Memorandum from Mazars which outlined its audit approach and plan to deliver the audit for the year ended 31 March 2019. The report also set out the External Audit fees.</p> <p>Mazars also presented a further progress report on work undertaken and planned as part of the 2018/19 audit. As part of the update, Members' attention was drawn to a range of national publications which were deemed to be potentially of interest to the Committee in undertaking its work.</p> <p>Grant Thornton submitted a letter summarising its overall findings from the certification of the Council's 2017/18 Housing Benefits subsidy claim.</p>	<p>The reports submitted provided the Committee with details of work required to be undertaken as the council's external auditor. The Committee was able to continue monitoring progress and ask questions in respect of external audit work undertaken and planned.</p>
<p>March 2019</p> <p>Mazars provided the latest progress update on its delivery of its audit responsibilities as at March 2019. It was noted that work was currently on track; and that there were currently no significant matters which required reporting at that stage. As part of the update, reference was also provided to a range of recent national publications.</p>	<p>The Committee was able to continue monitoring progress in respect of external audit work.</p>

Risk Management

The role of the Committee in relation to risk management:

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

Work Completed	Outcome/ Impact
<p>October 2018 A report was submitted by Financial Management providing details of the Council’s insurance arrangements and activity in 2017/18. This included details in respect of the major classes of insurance.</p> <p>The Committee was provided with a report on the Council’s Strategic Risk Register. The report provided an update on the strategic risk environment, including updates on each of the risks on the strategic risk register.</p>	<p>Members asked questions on costs and arrangements for reviewing policies and obtained assurance that insurance arrangements are monitored and regularly reviewed.</p> <p>The Committee received assurance on the arrangements for reviewing key strategic risks.</p>
<p>March 2019 The Committee received a further update report on the Council’s Strategic Risk Register including details of risks added and removed and updates on each risk.</p> <p>The Committee received a presentation on the Council’s cyber security systems and approach taken to manage associated risks.</p>	<p>The Committee received assurance on the arrangements for reviewing key strategic risks. The Committee also agreed on the frequency of future strategic risk update reports to take into account for the 2019/20 Committee work programme.</p> <p>Assurance was received on measures taken and action in progress to mitigate the risks highlighted. It was agreed that the Committee would receive a further update in 2019/20.</p>

Corporate Governance, Internal Control and the Annual Governance Statement

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

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

Work Completed	Outcome/ Impact
<p>June 2018 A report setting out the 2017/18 draft Annual Governance Statement (AGS) was presented to give Members the opportunity to review the content of the AGS prior to it being finalised.</p> <p>The Committee also received a report setting out the Council’s updated Corporate Governance Code for review.</p>	<p>The Committee agreed to consider the draft version of the AGS and the updated Corporate Governance Code and noted timescales for finalising the AGS in accordance with the Accounts and Audit Regulations 2015.</p>
<p>July 2018 The final version of the AGS was submitted to the Committee. It was requested that due to an outstanding query at the time of the meeting in relation to the audit of the Council’s accounts, approval of the AGS be delegated to the Chair of the Accounts and Audit Committee</p>	<p>The Committee approved delegation of approval of the 2017/18 AGS to the Chair of the Accounts and Audit Committee (and the AGS was subsequently approved and published on the Council website).</p> <p>In addition, further to the report received in June 2018 setting out the updated Corporate Governance Code, the Committee approved the updated Code at its July meeting.</p>
<p>February 2019 A report setting out the proposed approach / timetable to ensure compliance with the production of an AGS for 2018/19 was presented (noting a final version is due to be approved by 31 July 2019).</p>	<p>Procedures and responsibilities of Members and Officers in the process for producing and approving the 2018/19 AGS were agreed.</p>

Anti - Fraud & Corruption Arrangements

The role of the Committee is to:

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

Work Completed	Outcome/ Impact
<p>July 2018 The Committee received a report of the Counter Fraud and Enforcement team outlining the Councils’ fraud prevention and detection performance and activities in 2017/18, as well as the team’s plans for 2018/19.</p> <p>(The Committee will receive an update on outcomes from work completed in 2018/19 at its July 2019 meeting).</p>	<p>The Committee was provided with assurance that the Council is continuing to investigate suspected fraud and support both fraud prevention and detection.</p>
<p>February 2019 As part of the quarterly Audit and Assurance Service update report, this included an update on progress made by the Council in contributing to the National Fraud Initiative. This is a nationwide data matching exercise, designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse. Details were provided of the categories of data submitted to the Cabinet Office as part of the exercise. Updates on outcomes from the investigation of subsequent data matches are to be provided to the Committee in 2019/20.</p>	<p>The Committee gained assurance that the Council was playing an active role in supporting the National Fraud Initiative.</p>

Accounts / Financial Management

The role of the Committee is to:

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

Work Completed	Outcome/ Impact
<p>June 2018</p> <p>A report was submitted on the outcome of the review of treasury management activities for the previous financial year.</p>	<p>The Committee had the opportunity to review the information provided and asked for further information on some of the areas covered. Assurance was obtained that treasury management activities adhere to the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance.</p>
<p>July 2018</p> <p>In advance of the July Committee meeting, a training session was provided for Committee Members on the Council’s 2017/18 draft accounts. This included sharing of the Revenue Budget Outturn and Capital Investment Programme Outturn reports.</p> <p>The Council’s 2017/18 accounts were presented to the Committee at its meeting on 29 July 2018. It was noted that at the time of the meeting there was an outstanding accounting query from the External Auditors which needed to be resolved prior to the accounts being finalised and approved.</p>	<p>Members were able to review information and ask questions relating to the draft accounts, prior to receiving the 2017/18 accounts at the July meeting.</p> <p>The Committee viewed the final accounts (as they stood at the time of the meeting) and it was agreed that following the completion of the audit, the Accounts and Audit Committee Chair and Chief Finance Officer would sign the accounts (Further to the meeting, the Accounts were signed in September 2018).</p>
<p>October 2018</p> <p>A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2018/19.</p> <p>(Also see Risk Management: October 2018 meeting – insurance update provided by Financial Management).</p>	<p>The Committee was able to monitor treasury management performance during the year, in line with the CIPFA Code of Practice on Treasury Management.</p>

(Accounts/Financial Management continued)	
Work Completed	Outcome/ Impact
<p>February 2019 A Treasury Management report was submitted setting out the Council's strategy for 2019/20 – 2021/22. This included the debt strategy, minimum revenue provision (amounts set aside for debt repayment) and investment strategy.</p>	<p>The Accounts and Audit Committee recommended that the Council approve the various elements of the Strategy.</p>
<p>March 2019 A report was presented which explained the accounting concepts and policies which would be used in preparing the 2018/19 annual accounts.</p> <p>The Committee received a presentation on the STAR Shared Procurement Service. This included a summary of achievements to date, priorities and future aims.</p>	<p>Members were advised of any changes which had an impact on the preparation of the accounts for 2018/19.</p> <p>An opportunity was provided for Members to raise questions and further to requests made, following the presentation Members were provided with further information, including in relation to Social Value.</p>
<p>All meetings The Accounts and Audit Committee received the most recent available monthly budget monitoring report, either at the relevant meeting or information was circulated separately to Committee Members outside of the meetings.</p>	<p>The Committee had the opportunity to review information and raise queries on budget monitoring information submitted through the year.</p>

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 19 June 2019
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2019/20

Summary

This report sets out the proposed work plan for the Committee for the 2019/20 municipal year.

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

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

Recommendation

The Accounts and Audit Committee is asked to approve the 2019/20 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
19 June 2019	Agree Committee's Work Programme for 2019/20 (including consideration of training and development). Training session on Treasury Management to be provided outside of the Committee on 12 June 2019.					
	- 2018/19 Head of Internal Audit Annual Report	- Audit Progress Report and 2019/20 Fee Letter		- 2018/19 Draft Annual Governance Statement - Corporate Governance Code - Accounts and Audit Committee 2018/19 Annual Report to Council		-Treasury Management update (Annual Performance Report 2018/19) -2018/19 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn reports (to be circulated outside of the meeting by early July 2019).
29 July 2019	Training & Development/Presentation – Covering the draft accounts, financial outturn position and update on business rates and the investment strategy (To be provided outside of the Committee meeting in July 2019).					
		- 2018/19 Audit Completion Report	- Strategic Risk Register monitoring report.	- 2018/19 Annual Governance Statement (final version)	- Counter Fraud and Enforcement Team Annual Report 2018/19	- Approval of Annual Statement of Accounts 2018/19 - Budget Monitoring Report (final outturn 2018/19) - Budget Monitoring Report (Period 2 2019/20)

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
30 October 2019	- Internal Audit monitoring report	- 2018/19 Annual Audit Letter	- Strategic Risk Register monitoring report / risk updates. (Also see Financial Management - Insurance Performance Report 2018/19)			- Treasury Management : 2019/20 mid- year performance report - Insurance Performance Report 2018/19 - Budget Monitoring Report (Period 4 2019/20) - Budget Monitoring Report (Period 6 2019/20) to be circulated to Members outside of meeting in November 2019.
5 February 2020	Training session on Treasury Management to be provided outside of the Committee in January 2020.					
	- Internal Audit monitoring report	-Grant Claims summary - Audit Strategy Memorandum & Audit Progress report		- Report on arrangements for 2019/20 Annual Governance Statement.	(Anti-Fraud update, within Internal Audit monitoring report).	- Treasury Management Strategy - Budget Monitoring Report (Period 8 2019/20). - Procurement update (STAR)

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
24 March 2020	- 2020/21 Internal Audit Plan	- Audit Progress Report	- Strategic Risk Register monitoring report - Strategic risk update - Cyber Security			- Budget Monitoring Report (Period 10 2019/20).