

TRAFFORD COUNCIL

Report to: Council
Date: 26 July 2017
Report for: Information
Report of: Cllr Coupe and Cllr Lally – Chair and Vice - Chair Accounts & Audit Committee (2016/17)

Report Title

Accounts and Audit Committee Annual Report to Council 2016/17

Summary

The report sets out the 2016/17 Annual Report of the Accounts and Audit Committee.

Recommendation

Council 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

Accounts & Audit Committee
Annual Report
To Council

2016-2017



TRAFFORD
COUNCIL

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

The Accounts and Audit Committee is independent of the Executive and plays a key role in providing challenge across the organisation. It provides independent assurance to the Council and the public on the effectiveness of the Council's governance, financial management, risk management and internal control arrangements. Continuing financial pressures faced by local authorities highlight the need for the Council to ensure that these arrangements assist in enabling resources to be managed effectively.

The Committee has continued to cover a broad range of work through the year. In addition to coverage of its work plan which was agreed at the start of the year, the Committee has sought assurance through the year as issues arise.

This report sets out how we have ensured the Committee has met its responsibilities in 2016/17.



Councillor Jonathan Coupe
Chairman, Accounts & Audit Committee 2016-17



Councillor Paul Lally
Vice-Chairman, Accounts & Audit Committee 2016-17

INTRODUCTION

Role of the Committee

The role of the Accounts and Audit Committee is to:

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

Assurance is gathered by the Committee mainly from the work of Finance Services (including Financial Management and the Audit and Assurance Service), and External Audit (provided by Grant Thornton in 2015/16). Relevant officers within these areas attended meetings through the year. This was supplemented by assurance from other sources where this was considered appropriate, for example direct from the Council's managers.

Purpose of the Report

The purpose of this report to Council is to:

- Summarise the work undertaken by the Accounts & Audit Committee during 2016/17 and the impact it has had.
- Provide assurance to the Council on the fulfilment of the Committee's responsibilities.

Membership of the Committee

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

| Accounts & Audit Committee Membership | |
|--|--|
| 2016/17 | 2017/18 |
| Cllr Jonathan Coupe (Chair) Cllr Paul Lally (Vice Chair) Cllr Alan Mitchell Cllr Chris Boyes Cllr Tom Ross Cllr Mrs Jane Baugh Cllr Barry Brotherton | Cllr Nathan Evans (Chair) Cllr Chris Boyes (Vice Chair) Cllr Alan Mitchell Cllr Paul Lally Cllr Barry Brotherton Cllr Mrs Jane Baugh Cllr James Wright |

ACCOUNTS & AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED

The Committee derives its independent assurance from a number of sources including the work of External Audit, Finance (including Financial Management and Internal Audit) and managers across the Council.

During the year, these sources of assurance were reported to the Committee on a regular basis encompassing all the themes identified in the Committee's Terms of Reference. The Committee received information at each meeting and provided challenge and feedback to officers and external auditors, therefore fulfilling its responsibilities during 2016/17.

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.

An established arrangement is in place whereby a work programme is agreed by the Committee at the start of each year to ensure it met its responsibilities. For 2016/17, the work programme included reviewing regular updates on the work of external audit, internal audit, approval of draft and final accounts, updates of the Council's strategic risk register, review of anti-fraud and corruption arrangements, and updates on treasury management and insurance activity. The programme also covered consideration of training and awareness for Committee Members which included a workshop on the Council's accounts and a presentation on business rates.

Further to the establishment of the agreed meeting timetable and work programme at the start of the year, the Committee reviewed the programme through the year and where needed, agenda items were added as required. This included receiving updates on developments for agreeing the process for the appointment of the Council's external auditors for the 2018/19 financial year. Further to this, the Accounts and Audit Committee recommended to Council that the future process for appointing the external auditor is undertaken via a national arrangement, co-ordinated by the Sector Led Body, Public Sector Audit Appointments Limited (PSAA). It was agreed that this option will be used with the appointment due to be made, as required, by December 2017.

Assurance in terms of the outcome of the 2016/17 External Audit of the Council's financial statements and a conclusion on the Council's value for money arrangements will be reported later in 2017 to the Committee in the External Auditor's 2016/17 Annual Audit Letter. In November 2016, the Committee had gained assurance through the 2015/16 Annual Audit Letter that an unqualified opinion was given on the 2015/16 financial statements. The report also concluded that, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Details of the work undertaken by the Committee are set out in the rest of this report.

Accounts and Audit Committee – Work Completed During 2016/17

Internal Audit

Role of the Committee in relation to Internal Audit:

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

| Work Completed | Outcome/ Impact |
|---|---|
| <p>The progress of internal audit work conducted by the Audit and Assurance Service was reported to the Committee on a quarterly basis. This included summary findings from individual audit reviews, responses to audit reports, progress in implementing the annual audit plan and performance of the Audit and Assurance Service. Update reports were presented in September 2016, November 2016 and February 2017.</p> <p>June 2016 The Annual Head of Internal Audit Report was submitted, providing an opinion on the standard of internal controls during 2015/16 based on Internal Audit work undertaken during the period.</p> | <p>The Committee maintained an overview of the control environment reviewed by Internal Audit and also obtained assurance in respect of Internal Audit performance.</p> <p>Updates included details of areas reviewed where controls were found to be operating to a satisfactory standard and others within the Council where improvements were identified and audit recommendations made accordingly.</p> |

| (Internal Audit continued) | |
|--|--|
| Work Completed | Outcome/ Impact |
| <p>March 2017 The Committee reviewed the updated Internal Audit Charter and Strategy. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service, and 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.</p> <p>A report was submitted setting out the 2017/18 Annual Internal Audit Plan.</p> | <p>The Accounts and Audit Committee approved the updated Internal Audit Charter and Strategy.</p> <p>Assurance that Internal Audit coverage for the coming year covered a wide range of key business risks and plans were in place to make adequate internal audit resources available to complete the planned work.</p> |

External Audit

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

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

| Work Completed | Outcome/ Impact |
|--|--|
| <p>June 2016 The Committee received a report from Grant Thornton on the progress made in delivering its responsibilities as the Authority’s external auditor. The report also highlighted key emerging national issues and developments which could be of interest to members of the Committee. Other such updates were provided at meetings in November 2016 and February 2017.</p> | <p>The Committee was able to monitor progress in respect of external audit work.</p> |
| <p>September 2016 The Committee receive a report on the findings to date from the External Auditor in respect of the audit of the Council’s accounts for the year ended 31 March 2016 and its work to provide a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money conclusion).</p> | <p>Members were advised that it was anticipated that an unqualified opinion on the financial statements would be provided.</p> <p>In addition, based on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources, the Council had proper arrangements in all significant respects to ensure it delivered value for money.</p> |
| <p>November 2016 The Committee received the Council’s Annual Audit Letter for the year ended 31 March 2016, summarising the key findings arising from the work of the External Auditor, Grant Thornton.</p> <p>The Committee received a report of the Chief Finance Officer detailing the options for the provision of external audit services from 2018/19. The appointment of the external auditor would need to be completed by 31 December 2017. It was noted that a further update would be provided later in 2016/17.</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 2016.</p> <p>The Committee were provided with background on options available for the future appointment of the external auditor.</p> |

| (External Audit continued) | |
|---|---|
| Work Completed | Outcome/ Impact |
| <p>February 2017 As part of the February update report, Grant Thornton presented an update on progress including planned work in respect of the 2016/17 audit. In addition, the update included a letter summarising its overall findings from the certification of the Council's 2015/16 Housing Benefits subsidy claim.</p> <p>A report by the Chief Finance Officer provided a recommended option for the process for appointing external audit services from 2018/19. This was based on consideration of a range of options, evaluated in liaison with Greater Manchester Treasurers.</p> | <p>The Committee was able to continue monitoring progress in respect of external audit work.</p> <p>It was agreed that the Accounts and Audit Committee recommended to Council that the future process for appointing the external auditor, to be completed by December 2017, was undertaken via the use of the Sector Led Body, Public Sector Audit Appointments Limited (PSAA).</p> |
| <p>March 2017</p> <p>The Committee received the External Audit Plan from Grant Thornton which outlined its audit approach and plan to deliver the audit for the year ended 31 March 2017. The report also set out the External Audit fees and assumptions supporting these.</p> | <p>The report submitted provided the Committee with details of work Grant Thornton is required to undertake as the council's external auditor.</p> |

Risk Management

The role of the Committee in relation to risk management:

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

| Work Completed | Outcome/ Impact |
|---|---|
| <p>June 2016 The Committee was provided an update on managing risks in relation to the loss, absence or retention of senior managers which was previously included as a risk on the Council’s strategic risk register.</p> | <p>Assurance was received on measures taken and action in progress to mitigate the risks highlighted.</p> |
| <p>November 2016 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>The Committee received assurance on the arrangements for reviewing key strategic risks. The Committee provided feedback regarding the detail provided relating to some risks and requested further information on some areas which was provided following the meeting.</p> |
| <p>March 2017 The Committee was provided with a further update report on the Strategic Risk Register. The highest risk identified related to the Council’s medium term financial position with details reported of action taken and measures planned to continue to manage the risk.</p> <p>The Committee was also presented with the Council’s updated Risk Management Policy Statement and Strategy. The Policy Statement set out the Authority’s overall position regarding its approach to risk management, whilst the Strategy document set out, in detail, the expected arrangements to be in place to ensure there are adequate risk management processes across the Council.</p> | <p>The Committee received assurance that there is ongoing monitoring of strategic risks with details provided for each risk of control / monitoring arrangements in place and where applicable further improvements planned.</p> <p>The Committee approved the Council’s Risk Management Policy Statement and Strategy.</p> |

Corporate Governance, Internal Control and the Annual Governance Statement

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

- Conduct a critical review of the proposed Annual Governance Statement, the procedures followed in its completion and supporting evidence to provide assurance to the Leader of the Council and the Chief Executive of its meaningfulness and robustness.
- Review effectiveness of corporate governance and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.

| Work Completed | Outcome/ Impact |
|---|--|
| <p>June 2016 A report setting out the 2015/16 draft Annual Governance Statement (AGS) was presented to give Members the opportunity to review the content of the AGS prior to it being finalised. The Committee also received the Council's updated Corporate Governance Code for approval.</p> | <p>The Committee agreed to consider the draft version of the AGS and noted timescales for finalising the document in accordance with the Accounts and Audit Regulations 2015.</p> <p>The Committee agreed the updates to the Council's Corporate Governance Code which followed good practice set out by the Chartered Institute for Public Finance and Accountancy (CIPFA).</p> |
| <p>September 2016 The final version of the Annual Governance Statement, signed by the Chief Executive and Leader, was submitted to the Committee.</p> <p>A report was presented to update Members on the outcome of an inspection carried out by the Office of Surveillance Commissioners (OSC).</p> | <p>The Committee approved the 2015/16 Annual Governance Statement.</p> <p>Members were advised of recommendations made by the OSC and the proposed actions of the Council to implement them.</p> |
| <p>February 2017 A report setting out a proposed approach / timetable to ensure compliance with the production of an Annual Governance Statement for 2016/17 was presented.</p> <p>The Committee received an update on work in relation to the Reshaping Trafford programme which was one of the key governance issues highlighted in the 2015/16 Annual Governance Statement.</p> | <p>Procedures and responsibilities of Members and officers in the process for producing and approving the 2016/17 Annual Governance Statement were agreed.</p> <p>Assurance was provided regarding progress made in progressing actions highlighted in the previous year's Annual Governance Statement.</p> |

Anti - Fraud & Corruption Arrangements

The role of the Committee is to:

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

| Work Completed | Outcome/ Impact |
|---|---|
| <p>September 2016</p> <p>The Committee received a report outlining the Councils’ fraud prevention and detection performance and activities in 2015/16, as well as outlining the Counter Fraud and Enforcement team’s plans for 2016/17.</p> <p>Members were reminded of the new structure in place following the transfer of benefit fraud investigation staff to the Department for Work and Pensions’ (DWP) in March 2016 as part of the national Single Fraud Investigation Service. A new team had been formed by the Council to conduct fraud investigation that remained within the Council’s scope.</p> | <p>The Committee was provided with assurance that the Council was continuing to ensure adequate fraud investigation capacity is in place going forward.</p> |
| <p>November 2016</p> <p>The Committee received a report providing an update on recent developments in respect of the use of the Council website to report fraud and plans to raise awareness of this. This included the introduction of on-line fraud reporting forms.</p> <p>It was also reported that the Council’s Anti-Fraud and Corruption Strategy and Policy and supporting guidance would be updated accordingly. These documents were subsequently presented to the Committee and approved in March 2017.</p> | <p>The Committee gained assurance that improvements had been made to processes for fraud reporting and details were being publicised.</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 2016</p> <p>The pre-audited Annual Statement of Accounts for 2015/16 was presented along with the 2015/16 Revenue Budget Outturn and Capital Investment Programme Outturn reports.</p> <p>(In advance of the June Committee meeting, a training session was provided for Committee Members on the Council’s Accounts).</p> <p>A report was submitted on the outcome of the review of treasury management activities for the past financial year.</p> <p>A report was submitted providing details of the Council’s insurance arrangements and activity in 2015/16. This included details in respect of the major classes of insurance.</p> | <p>The Committee was able to review the accounts prior to submission to the external auditor and public inspection.</p> <p>Assurance was obtained that treasury management activities adhere to the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance.</p> <p>Assurance was obtained that insurance arrangements are monitored and regularly reviewed.</p> |
| <p>September 2016</p> <p>The final accounts were presented following the audit of the 2015/16 draft accounts.</p> <p>A presentation was given to the Committee on business rates.</p> | <p>The Committee approved the final accounts for 2015/16.</p> <p>Members were updated on latest developments in respect of business rate retention, including for Trafford as part of a Greater Manchester Pilot scheme.</p> |
| <p>November 2016</p> <p>A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2016/17.</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 2017 A Treasury Management report was submitted setting out the Council's strategy for 2017/18 – 2019/20. This included the debt strategy, minimum revenue provision (amounts set aside for debt repayment) and investment strategy.</p> <p>(In advance of the February Committee meeting, a training session was provided for Committee Members on Treasury Management).</p> | <p>The Audit Committee recommended that the Council approve the various elements of the Strategy.</p> |
| <p>All meetings</p> <p>The Accounts and Audit Committee received the most recent available monthly budget monitoring report at each meeting.</p> | <p>The Committee had the opportunity to review information and raise queries on budget monitoring information submitted through the year.</p> |