

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 17 July 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 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**

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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.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>June 2018</b> 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><b>October 2018 and February 2019</b> 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><b>March 2019</b> 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.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>June 2018</b> 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><b>July 2018</b> 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><b>October 2018</b> 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><b>February 2019</b></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><b>March 2019</b></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.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>October 2018</b> 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><b>March 2019</b> 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.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>June 2018</b> 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><b>July 2018</b> 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><b>February 2019</b> 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.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>July 2018</b>                      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><b>February 2019</b>                      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><b>June 2018</b></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><b>July 2018</b></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><b>October 2018</b></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>

<b>(Accounts/Financial Management continued)</b>	
<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>February 2019</b>                      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><b>March 2019</b>                      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><b>All meetings</b>                      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>