

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 15 July 2020  
**Report for:** Information  
**Report of:** Cllr Barry Brotherton - Chair, Accounts and Audit Committee (2019/20)

### Report Title

**Accounts and Audit Committee Annual Report to Council 2019/20.**

### Summary

**The report sets out the 2019/20 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 and Audit Committee  
Annual Report  
To Council

2019-2020

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**FOREWORD BY THE CHAIR OF THE ACCOUNTS AND AUDIT COMMITTEE**

*The Accounts and Audit Committee continued to undertake its planned programme of work through 2019/20 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.*

*During March 2020, the COVID-19 pandemic resulted in the cancellation of the final planned meeting of the year but where possible Members were still provided with a number of updates at this time. Prior to this the Committee had covered a broad range of work through the year, gaining assurance from a number of sources.*

*The Committee is reviewing its planned work programme for 2020/21 in line with changes in statutory requirements and timescales as a result of the pandemic with the aim of continuing to provide its role effectively. This report sets out the work of the Committee during 2019/20.*



**Councillor Barry Brotherton**  
**Chair, Accounts and Audit Committee 2019/20**

## **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), External Audit (provided by Mazars) and Legal and Democratic Services. Relevant officers within these areas attended various meetings throughout the year. This was supplemented by assurance and guidance from other sources where this was considered appropriate, for example from Council managers and external advisors.

### **Purpose of the Report**

The purpose of this report to Council is to:

- summarise the work undertaken by the Accounts and Audit Committee during 2019/20 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 and 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.

<b>Accounts and Audit Committee Membership</b>	
<b>2019/20 (as at March 2020)*</b>	<b>2020/21</b>
Cllr Barry Brotherton (Chair)	Cllr Barry Brotherton (Chair)
Cllr Judith Lloyd (Vice Chair)	Cllr Judith Lloyd (Vice Chair)
Cllr Jayne Dillon	Cllr Jayne Dillon
Cllr Anne Duffield	Cllr Anne Duffield
Cllr Barry Winstanley	Cllr Barry Winstanley
Cllr Chris Boyes	Cllr Chris Boyes
Cllr Alan Mitchell	Cllr Alan Mitchell
Cllr Paul Lally	Cllr Geraldine Coggins
Cllr Geraldine Coggins	Ms. Jeannie Platt**
Ms. Jeannie Platt**	

## 2019/20 Accounts and Audit Committee – Annual Report to Council

\*Note: Cllr Liz Patel was Vice-Chair at meetings in June, July and October 2019 prior to leaving the Committee due to being appointed to the Executive. Cllr Judith Lloyd was subsequently appointed Vice- Chair and Cllr Barry Winstanley was appointed to the Committee).

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

## **ACCOUNTS AND 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 2019/20.

The Committee agreed its work programme at the start of the year to ensure it met its responsibilities. For 2019/20, 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.

Committee meetings were held on the following dates in 2019/20: 19 June, 23 July, 29 July, 30 October and 5 February. There was some disruption to the Committee's 2019/20 work programme as the March 2020 meeting was cancelled due to the COVID-19 pandemic. Where possible, information was shared with Members or reporting deferred to a future meeting.

The Committee fulfilled its role in respect of the approval of the Council's accounts for 2018/19. In October 2019, the Committee had gained assurance through the 2018/19 Annual Audit Letter by the External Auditors (Mazars), that the financial statements give a true and fair view of the Council's financial position and financial performance for 2018/19. The Auditor's report 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 2019, except for the overall effectiveness of the Council's services for children. This reflected the outcome of the Ofsted report issued in May 2019 although it was noted that the Council had taken steps to address the issues raised with a Full Improvement Plan in response to the Ofsted findings.

Assurance in terms of the outcome of the 2019/20 External Audit of the Council's financial statements and a conclusion on the Council's value for money arrangements will be reported later in 2020 to the Committee as part of the External Auditor's 2019/20 Audit Completion report. As detailed in this report, due to the COVID-19 pandemic, statutory deadlines for the approval of audited accounts have been revised in accordance with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.



## 2019/20 Accounts and Audit Committee – Annual Report to Council

The work programme also 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 2019/20**

**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><b>June 2019</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 2018/19 based on Internal Audit work undertaken during the period.</p> <p><b>October 2019 and February 2020</b> The progress of Internal Audit work conducted by the Audit and Assurance Service during 2019/20 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 2019 and February 2020.</p> <p><b>March 2020</b> As the meeting scheduled for 24 March 2020 was cancelled due to the COVID-19 outbreak, a report on the 2020/21 Internal Audit Plan was circulated to Committee Members with the intention of including this report on the agenda for the next available meeting in 2020/21. The report also included a copy of the Internal Audit Charter and Strategy.</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. The Committee was able to raise queries to request further information where applicable and obtain 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>Accounts and Audit Committee Members were provided with details of planned Internal Audit work for reference ahead of further meetings in 2020/21 where planned work and subsequent findings could be discussed.</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 2019</b></p> <p>The Committee received a report from Mazars on the progress made in delivering its responsibilities as the Authority’s external auditor. It was noted that the 2018/19 accounts audit was in progress. The Committee was also provided with information regarding the Audit Fees charged.</p>	<p>The Committee was able to monitor progress in respect of external audit work and advised regarding the basis for the level of audit fees.</p>
<p><b>July 2019</b></p> <p>At its meeting on 29 July 2019, the Committee received the Draft Audit Completion Report setting out the findings to date from the External Auditor (Mazars) in respect of the audit of the Council’s accounts for the year ended 31 March 2019 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). In introducing the report the auditor commented on the exceptional quality of the accounts and supporting documents produced.</p> <p>At the end of the meeting, Mazars also presented a further item. This was deemed to be an “Exclusion resolution item” due to the likelihood of the disclosure of exempt information as set out in the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006. Information was therefore not provided for publication. An oral update was presented following correspondence received by the External Auditor and details of conclusions reached from the subsequent investigation.</p>	<p>At the time of the meeting further work was required to be undertaken by the External Auditor to complete the 2018/19 Audit. The Accounts and Committee therefore agreed to delegate its responsibility for the formal approval of the accounts to the Chair of the Committee. (See October 2019 update below for the final outcome of the audit of the financial statements and value for money conclusion).</p> <p>Committee members were provided with assurance that in responding to an extraordinary situation, the Council had not taken any actions which were contrary to its constitution or powers. It was concluded by the External Auditor that it would be helpful for the constitution to contain more detail and guidance in relation to the issue reviewed. It was subsequently agreed that changes would be proposed.</p>

External Audit (Continued)	
Work Completed	Outcome/ Impact
<p><b>October 2019</b></p> <p>The Committee received the Council’s Annual Audit Letter for the year ended 31 March 2019, setting out the key findings arising from the work of the External Auditor.</p> <p>The Committee also received a progress update by the External Auditor as at October 2019. This included details of proposed planning for the 2019/20 audit. The reports also referenced a range of national publications which might be of interest to the Committee’s Members in undertaking their role.</p>	<p>The Annual Audit Letter from Mazars confirmed that an unqualified opinion was given on the financial statements referring to their report which stated that ” ..in our view, the financial statements give a true and fair view of the Council’s financial position as at 31 March 2019 and of its financial performance for the year then ended.”</p> <p>The External Audit Annual Letter also concluded 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 ended 31 March 2019, except in relation to issues raised from the Ofsted report issued in May 2019 on Children’s Social Care. The report noted that the Council had taken steps to address the issues raised with a Full Improvement Plan in response to the Ofsted findings.</p>
<p><b>February 2020</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 2020. 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 2019/20 audit. As part of the update, Members’ attention was drawn to a range of national publications deemed to be potentially of interest to the Committee in undertaking its work.</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 2020</b></p> <p>A report by Mazars was circulated to Committee Members providing the latest progress update on its delivery of its audit responsibilities as at March 2020. It was noted 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. (Further to the update being given in March 2020, given the COVID-19 outbreak, statutory deadlines for the approval of audited accounts were revised from 31 July 2020 to 30 November 2020, which resulted in changes to previously agreed timescales for the completion 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>July 2019</b></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 risk register, including changes in risk level.</p>	<p>The Committee received assurance on the arrangements for reviewing key strategic risks.</p>
<p><b>October 2019</b></p> <p>A report was submitted by Financial Management providing details of the Council’s insurance arrangements and activity in 2018/19. This included details in respect of insurance costs and claims activity during the period.</p> <p>The Committee received a further update report on the Council’s Strategic Risk Register.</p>	<p>Members asked questions, requested further information 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 and considered areas of risk for further updates at future meetings.</p>
<p><b>March 2020</b></p> <p>It was originally planned that the Committee would receive a further Strategic Risk Register update but given the cancellation of the March 2020 meeting this was rescheduled to be included as an item at the next available Committee meeting in 2020/21.</p> <p>A presentation on one of the items on the Strategic Risk Register (Cyber Security) was originally planned for the March 2020 meeting and will be included as an agenda item at a later meeting in 2020/21.</p>	<p>The Committee would receive a strategic risks update at its next available meeting.</p> <p>Given the cancellation of the March 2020 meeting, the Accounts and Audit Committee work programme would be reviewed and updated to ensure relevant agenda items were included in future meetings in 2020/21.</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.
- Approve the final version of the Annual Governance Statement.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>June 2019</b> A report setting out the 2018/19 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 was able to ask questions regarding the content of the AGS and Corporate Governance Code at draft stage prior to approving these at a later meeting.</p>
<p><b>July 2019</b> The final versions of the AGS and Corporate Governance Code were submitted to the Committee. It was noted that there were no significant changes to the draft versions previously shared in June.</p>	<p>The Committee approved the content of the AGS. The finalised version of the AGS was subsequently signed by the Chief Executive and Leader at the same time as the Audited Accounts were approved in September 2019 and published on the Council website.</p> <p>In addition, further to the report received in June 2019 setting out the updated draft Corporate Governance Code, the Committee approved the updated Code at its July 2019 meeting.</p>
<p><b>February 2020</b> A report setting out the proposed approach / timetable to ensure compliance with the production of an AGS for 2019/20 was presented. (noting a final version was due to be approved by 31 July 2020).</p>	<p>Procedures and responsibilities of Members and Officers in the process for producing and approving the 2019/20 AGS were agreed. (Since the February meeting, due to the COVID-19 pandemic, timescales were changed from that shown in the report given the new statutory deadline of 30 November 2020 for completion of the AGS).</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 2019</b>                      The Committee received a report of the Counter Fraud and Enforcement team outlining the Councils’ fraud prevention and detection performance and activities in 2018/19, as well as the team’s plans for 2019/20. The report included case study examples to show how the team contributes to fighting fraud and protecting public funds. (The Committee will receive an update on outcomes from work completed in 2019/20 at a meeting later in 2020).</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 2020</b>                      As part of the 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. An update on outcomes from the exercise which commenced in 2018/19 was provided.</p>	<p>The Committee gained assurance that the Council was playing an active role in supporting the National Fraud Initiative.</p>

**Accounts / Financial Management**

The role of the Committee is to:

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

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>June 2019</b></p> <p>A report was submitted on the outcome of the review of treasury management activities for the previous financial year. (In advance of the June Committee meeting, a training session was provided for Committee Members on Treasury Management).</p>	<p>The Committee had the opportunity to review the information provided and asked a number of questions including in relation to the checks, balances and review mechanisms associated with treasury management decision making. Assurance was obtained that treasury management activities adhere to all legislative and regulatory requirements including the CIPFA Prudential Code for Capital Finance.</p>
<p><b>July 2019</b></p> <p>At an Extraordinary Accounts and Audit Committee Meeting on 23 July, the Committee were presented with a report setting out proposed changes to the Treasury Management Investment Strategy. These were made with the aim to extend the Treasury Management Strategy so that it further supported the Council’s approach in areas around green technology and investments that supported the Council’s asset investment strategy.</p> <p>The Council’s 2018/19 accounts and also the draft revenue budget and capital investment programme outturn reports were presented to the Committee at its meeting on 29 July 2019. Members were advised of the possibility of further amendments to the accounts prior to the formal completion of the audit. (In advance of this Committee meeting, a training session was provided for Committee Members to provide information regards the draft accounts and outturn reports).</p>	<p>The Committee agreed to the recommendations in the report to be made to the next Council 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 Corporate Director of Finance and Systems would approve the accounts (Further to the meeting, the Accounts were approved in September 2019).</p>



<b>(Accounts/Financial Management continued)</b>	
<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>October 2019</b> A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2019/20.</p> <p>(Also see Risk Management: October 2019 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. The Committee was able to ask questions and receive clarification on a number of issues relating to loans and investments.</p>
<p><b>February 2020</b> A Treasury Management report was submitted setting out the Council’s strategy for 2020/21 – 2022/23. This included the debt strategy, minimum revenue provision (amounts set aside for debt repayment) and investment strategy. (In advance of the February meeting, a training session was provided for Committee Members in January 2020 to focus on issues within the Treasury Management Strategy report).</p> <p>The Committee received a presentation on the STAR Shared Procurement Service. This covered aspects of STAR’s activities, achievements and future plans.</p>	<p>The Accounts and Audit Committee recommended that the Council approve the various elements of the Treasury Management Strategy.</p> <p>An opportunity was provided for Members to raise questions which included a focus on work being undertaken to maximise social value when undertaking procurement exercises. It was agreed Committee Members would receive further information and updates as required.</p>
<p><b>March 2020</b> A report was circulated to Accounts and Audit Committee Members which explained the accounting concepts and policies which would be used in preparing the 2019/20 annual accounts.</p>	<p>Members were advised there were no material changes to the Accounting Policies for the 2019/20 accounts but were advised of future changes which would apply for the 2020/21 accounts in respect of accounting for leases.</p>
<p><b>All meetings</b> The Accounts and Audit Committee received the most recent available monthly budget monitoring reports for 2019/20, 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>