



# Audit Committee Update for Trafford Council

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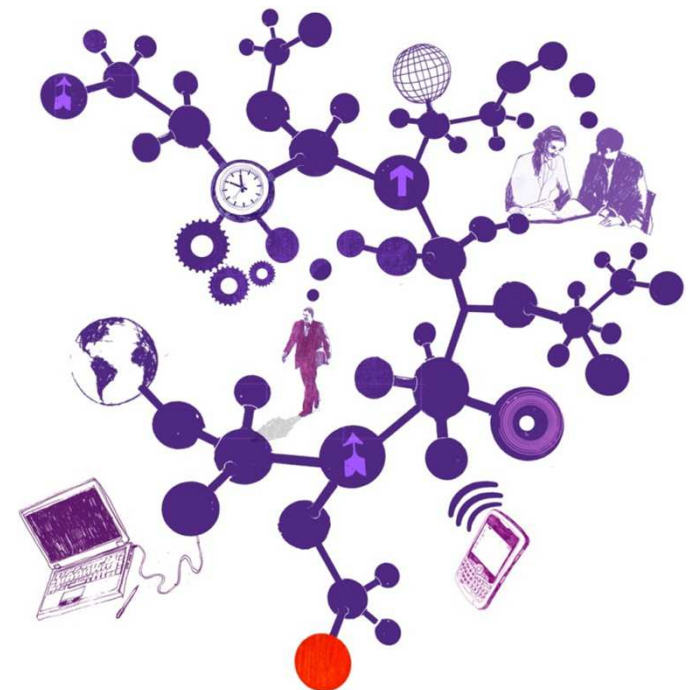
**Year ended 31 March 2014**

11 February 2014

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# Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Local Authority
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Accounts and Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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## Progress at February 2014

Work	Planned date	Complete?	Comments
<p><b>2012-13 Grant claims report</b>            Our review of the Council's 2012-13 grant claims was completed during the period June to December 2013. We are required to issue and agree a report on this work by 28 February 2014.</p>	June - December 2013	Yes	We completed our certification work for 2012-13 claims and returns in November. Our annual report on the certification of claims and returns is included on the February Accounts and Audit Committee agenda.
<p><b>2013-14 Accounts Audit Plan</b>            We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	March 2014	On track	Our planning for the 2013-14 audit has commenced. At this stage we plan to issue the detailed Audit Plan in March 2014.
<p><b>Interim accounts audit</b>            Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• initial Value for Money planning.</li> </ul>	January to April 2014	On track	We have commenced our planning for 2013-14 and expect to complete our interim accounts audit by the end of April 2014.

## Progress at February 2014

Work	Planned date	Complete?	Comments
<p><b>2013-14 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2013-14 financial statements</li> <li>• proposed opinion on the Council 's accounts and Whole of Government Accounts return</li> <li>• proposed Value for Money conclusion.</li> </ul>	July to September 2014	Not started	<p>We will again be holding annual accounts closedown workshops, jointly with CIPFA Finance Advisory Network. Workshops are being held on various dates during February and March 2014, and invitations have been sent to officers.</p> <p>We will prepare an Audit Findings Report and present this to the Audit and Accounts Committee prior to issuing our audit report</p>
<p><b>Value for Money (VfM) conclusion 2013-14</b> We will give our statutory VFM conclusion on the arrangements to secure economy, efficiency and effectiveness based on two criteria, specified by the Audit Commission, related to the Council's arrangements for:</p> <ul style="list-style-type: none"> <li>• securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future</li> <li>• challenging how it secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.</li> </ul>	September 2014	On track	<p>We will update our risk assessment and set out a planned programme of VFM work to inform our 2013-14 conclusion.</p> <p>We will report our detailed findings within our Audit Findings Report in September 2014.</p>

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## Progress at February 2014

Work	Planned date	Complete?	Comments
<b>Annual Audit Letter</b> We are required by October 2014 to summarise our work performed at the Council, including: <ul style="list-style-type: none"><li>• accounts audit</li><li>• VFM audit work</li><li>• grant claim certification.</li></ul>	October 2014	Not started	
<b>2013-14 Grant claims report</b> Our review of the Council's 2013-14 grant claims will take place during the period June to December 2014	June to December 2014	Not started	

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# Emerging issues and developments

## Grant Thornton

### Financial Resilience

Our third national report on the financial health of local government "[2016 Tipping Point? Challenging the Current](#)" was published on 5 December 2013. It concludes that Overall, local authorities are delivering against their financial plans. However, the challenges are increasing; some improvements in the last survey have reversed this year; and a small number of authorities now have insufficient arrangements to ensure financial resilience. Authorities will need to work hard in all these key areas to stay in robust financial health. Our report, based on a review of 40% of the sector, assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

The third in an annual series, '2016 tipping point? Challenging the current', supported by wider dialogue with the sector, validates as possible or probable the concept of a series of potential 'tipping point scenarios' identified in last years' report. Moreover, 79% of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report also suggests some of the key priorities for local authorities in responding to the challenge of remaining financial sustainable. This includes a relentless focus on generating additional sources of revenue income, such as: investments in the commercial property portfolio; increased commercialisation of services and local authority trading; and regeneration and inward investment to boost local economic activity. In addition, councils will need to continue to improve efficiency through shared services, strategic partnerships and wider re-organisation.

#### Challenge question

- Have you considered the robustness of your arrangements to ensure a sustainable financial future in light of the findings of the report?



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# Emerging issues and developments

## Audit Commission

### Tough Times

The Audit Commission's latest research, Tough Times 2013: Councils' Responses to Financial Challenges From 2010/11 to 2013/14, shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. But, the Commission says, with uncertainty ahead, councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

<http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf>

### Challenge

- Have you considered the findings and conclusions of the report and their relevance to your authority?

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# Emerging issues and developments

## Audit Commission

### Auditing the Accounts 2012/13

The Audit Commission's '[Auditing the Accounts 2012/13: Local government bodies](#)' report summarises the results of auditors' work for 2012/13 at principal local government bodies and small bodies. The report covers the timeliness and quality of financial reporting and summarises:

- auditors' work on the 2012/13 financial statements;
- auditors' work on the Whole of Government Accounts returns;
- auditors' local value for money work;
- public interest reports and statutory recommendations issued by auditors since December 2012; and
- the key financial reporting and financial management challenges facing bodies for 2013/14.

The Commission reports that auditors were able to issue the audit opinion by 30 September 2012 at 99 per cent of councils, all fire and rescue authorities, 97 per cent of police bodies, 98 per cent of other local government bodies and 98 per cent of both parish councils and internal drainage boards. This is consistent with last year for most groups, but an improvement for councils and small bodies compared to 2011/12.

Thirteen principal local government bodies received an unqualified audit opinion by 31 July 2012 and published their audited accounts promptly. At the date of preparing the report, one principal local government body had received a qualified audit opinion on the 2012/13 accounts. The overwhelming majority of small bodies (92 per cent of parish councils and 91 per cent of internal drainage boards) received an unqualified opinion on their 2012/13 annual return by 30 September.

#### Challenge question

- Have you reviewed the report and considered the Council's performance in comparison with other authorities?

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# Emerging issues and developments

## General

### Draft local government finance settlement

The Department for Communities and Local Government has published the [proposed Local Government Finance Settlement for 2014/15](#). Excluding the Greater London Authority, the spending power for local authorities in England will fall by 2.9 per cent in 2014/15 compared to 2013/14. As in previous years, councils will have their funding reduction capped at 6.9 per cent. Indicative funding levels for the 2015/16 settlement have also been provided to assist local authorities with their medium-term financial planning. The settlement is subject to consultation until 15 January 2014, and will be finalised in February 2014

#### Challenge question

- Have you considered the implications of the proposed settlement on your medium term financial strategy?

### CIPFA publications

CIPFA have recently published the following documents which are relevant to local government bodies:

- Open Book Accounting: How to Deliver and Demonstrate Value for Money in the Public Sector (2013 Edition)
- Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition)
- Code of Practice on Transport Infrastructure Assets (2013 Edition)
- Service Reporting Code of Practice for Local Authorities 2014/15
- Financial Statements: A Good Practice Guide for Local Authorities
- Housing Finance under Self-financing

#### Challenge question

- Have you obtained and reviewed the publications?



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