

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 22 July 2021
Report for: Information
Report of: Cllr Barry Brotherton and Cllr Judith Lloyd - Chair and Vice
- Chair Accounts & Audit Committee (2020/21)

Report Title

Accounts and Audit Committee Annual Report to Council 2020/21.

Summary

The report sets out the 2020/21 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:

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Background Papers:

None

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TRAFFORD
COUNCIL

Accounts and Audit Committee
Annual Report
To Council

2020-2021

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

This has, of course, been an extremely challenging year for everyone.

The Accounts and Audit Committee has continued to fulfil its role 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. The Committee has successfully continued to operate during 2020/21 with all of its meetings held via Zoom.

The Committee planned its work in an agreed work programme and scheduling took into account changes in statutory timescales, introduced as a result of the pandemic. The Committee has been updated through the year on of how the Council is addressing risks associated with the pandemic and ensuring there continues to be ongoing monitoring and management of financial implications and other risks in these challenging times. The Committee has continued to cover 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 2020/21.



**Councillor Barry Brotherton
Chair, Accounts and Audit Committee 2020/21**



**Councillor Judith Lloyd
Vice-Chair, Accounts and Audit Committee 2020/21**

INTRODUCTION

Role of the Committee

The purpose 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 2020/21 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.

Accounts and Audit Committee Membership	
2020/21 (as at March 2021)	2021/22
Cllr Barry Brotherton (Chair)	Cllr Barry Brotherton (Chair)
Cllr Judith Lloyd (Vice Chair)	Cllr Judith Lloyd (Vice Chair)
Cllr Jayne Dillon	Cllr Ged Carter
Cllr Rose Thompson *	Cllr Mike Cordingley
Cllr Barry Winstanley	Cllr Waseem Hassan
Cllr Chris Boyes	Cllr Rose Thompson
Cllr Nathan Evans *	Cllr Chris Boyes
Cllr Alan Mitchell	Cllr Alan Mitchell
Cllr Geraldine Coggins	Cllr Geraldine Coggins
Ms. Jeannie Platt**	Ms. Jeannie Platt**

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*In terms of changes in membership of the Committee through the year, following the Annual Meeting of Council held on 25th November 2020, Cllr Rose Thompson replaced Cllr Anne Duffield. A vacancy in the Committee's membership was filled by Cllr Nathan Evans.

**Non-voting co-opted Member.

ACCOUNTS AND AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED

The Accounts and Audit Committee continued to perform its role and responsibilities through the year. In common with other functions within the Council, the Committee in planning and undertaking its work needed to consider the impact of the COVID-19 pandemic.

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 2020/21.

The Committee agreed its work programme at the start of the year to ensure it met its responsibilities. For 2020/21, 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 2020/21: 15 July, 26 November, 3 February and 23 March. All meetings were held remotely through the year due to the pandemic. Given the disruption caused with the cancellation of the planned March 2020 meeting in the previous year, where applicable all agenda items which had been deferred as a result were covered in the 2020/21 meetings. Timescales of the meetings were arranged to ensure the Committee met its responsibilities in respect of reviewing and approving the Council's Accounts and Annual Governance Statement in line with statutory timescales introduced in response to the pandemic.

The Committee has been updated through the year regards various aspects of activity regards the Council's COVID-19 response and management of associated risks. Financial aspects have been covered as part of regular budget monitoring reports shared with the Committee during the year and management of risks associated with the pandemic have been reflected in strategic risk register updates.

During the year, the Committee fulfilled its role in respect of the approval of the Council's accounts for 2019/20. The Committee gained assurance from the Council's External Auditors (Mazars), that the financial statements give a true and fair view of the Council's financial position and income and expenditure financial performance for 2019/20. The Auditor's report also concluded that in all significant respects, the Council had put in place proper arrangements to secure economy,

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efficiency and effectiveness in its use of resources for the year ended 31 March 2020, except for one qualification in relation to children's services. This related to findings from the Ofsted report, originally issued in May 2019. It was noted, however, that the Council was taking action to address the issues identified.

Assurance in terms of the outcome of the 2020/21 External Audit of the Council's financial statements and a conclusion on the Council's value for money arrangements will be reported later in 2021 to the Committee as part of the External Auditor's 2020/21 Audit Completion report.

The work programme for the year also included 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 2020/21

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>July 2020</p> <p>The Annual Head of Internal Audit Report was submitted, providing an opinion on the adequacy and effectiveness of the Council’s control environment during 2019/20 based on Internal Audit work undertaken during the period.</p> <p>A report on the 2020/21 Internal Audit Plan was circulated to Committee Members in March 2020 but given the cancellation of the March 2020 Committee meeting due to the national lockdown, the report was also included on the agenda for the July 2020 meeting.</p> <p>November 2020 and February 2021</p> <p>The progress of Internal Audit work conducted by the Audit and Assurance Service during 2020/21 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 November 2020 and February 2021.</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>The Committee were also advised of changes to planned work given the impact of the COVID-19 pandemic. This included reference to support being provided by the Audit and Assurance Service to support the Council’s response to the pandemic by assisting Exchequer Services and the Strategic Growth team in administering checks prior to the payment of COVID-19 grants to businesses.</p>

Internal Audit (Continued)	
Work Completed	Outcome/ Impact
<p>March 2021 The 2021/22 Internal Audit Plan was presented to the Committee. Members were advised that, since there had been significant disruption to planned work in 2020/21 due to the COVID1-19 pandemic, plans for the year ahead took account both of new areas for review and work deferred to 2021/22.</p>	<p>Members approved the 2021/22 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>July 2020</p> <p>The Committee received a report from Mazars on the progress made in delivering its responsibilities as the Authority’s external auditor. This included regarding arrangements being made to continue progress with the 2019/20 accounts during the pandemic including a remote working approach.</p> <p>The Committee was also provided with information from Public Sector Audit Appointments 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>November 2020</p> <p>At its meeting on 26 November 2020, the Committee received the 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 2020 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 undertaken to complete the 2019/20 Audit. The Accounts and Audit Committee were advised that it was anticipated that there would be an unqualified opinion on the financial statements.</p>
<p>February 2021</p> <p>A further verbal update was provided to the Committee regards the 2019/20 audit.</p>	<p>It was noted that there would be opportunity for Members to review findings within the audit report at the next Committee in March 2021.</p>

External Audit (Continued)	
Work Completed	Outcome/ Impact
<p>March 2021</p> <p>Members were provided with key findings reported in the Audit Completion letter for 2019/20 particularly in respect of matters which had remained outstanding at the date of the Completion Report in November 2020.</p> <p>Further to the Committee meeting on 23 March 2021, a copy of the Annual Audit Letter was forwarded to Committee Members which finalised details of findings from the 2019/20 audit. Members were also provided with a copy of the Audit Strategy Memorandum, which set out plans for the approach to the 2020/21 audit. (Both reports circulated are also planned to be included on the agenda of the next Committee meeting).</p>	<p>It was noted that an unqualified opinion on the accounts had been issued on 10th March 2021. Members discussed significant issues arising from the audit, including in relation to the valuation of assets, on which a number of measures were in hand to address the issues identified.</p> <p>The Annual Audit Letter from Mazars included commentary stating "...the financial statements give a true and fair view of the Council's financial position as at 31 March 2020 and of its expenditure and income for the year then ended."</p> <p>The Annual Audit Letter reported that there were a small number of recommendations made by External Audit. The highest priority area related to difficulties encountered in obtaining sufficient evidence from the Council's external valuer to support the revaluation for samples of land & building and investment property assets. It was noted that management has agreed to strengthen arrangements to address the control recommendation during 2020/21.</p> <p>The Annual Audit Letter 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 2020, except for in relation to children's social care services that have been assessed as 'inadequate' by Ofsted. It was noted that the Auditor was satisfied that action is being taken to address the issues identified in this area.</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>July 2020</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, including risks associated with the impact from COVID-19.</p> <p>Suggestions were made by the Committee in respect of presentation of risk information in the reports which were taken into account for future updates.</p>
<p>November 2020</p> <p>A report was submitted by Financial Management providing details of the Council’s insurance arrangements and activity in 2019/20. 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 and obtained assurance that insurance arrangements are monitored and regularly reviewed.</p> <p>Further to previous feedback from the Accounts and Audit Committee, the strategic risk register included the inclusion of a risk in relation to the climate emergency and feedback was provided by the Committee for management to consider as part of further updates to the strategic risk register.</p>
<p>March 2021</p> <p>A presentation on one of the items on the Strategic Risk Register (Cyber Security) was provided. This included the principles sources of threat to cyber security, mitigation measures in place and future planned activity.</p> <p>The Committee received a further update on the Strategic Risk Register.</p>	<p>Members took the opportunity to raise a number of issues in relation to the presentation and agreed it would be useful for a further update in the next year to include a summary briefing on evolving technologies in relation to data storage, retrieval and security.</p> <p>The Committee had received assurance through the year on the management of key strategic risks.</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.

Work Completed	Outcome/ Impact
<p>July 2020 A report setting out the 2019/20 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 were able to consider the content of the AGS at draft stage and have opportunity to provide feedback prior to the approval of the document at a later meeting.</p>
<p>November 2020 The final version of the AGS was submitted to the Committee. It was noted that the document had been updated since the previous meeting to update details regards significant governance issues to be managed in 2020/21, including the response to the COVID-19 pandemic.</p>	<p>The Committee approved the AGS.</p>
<p>March 2021 A report setting out the proposed approach / timetable to ensure compliance with the production of an AGS for 2020/21 was presented, noting a final version was due to be approved by 30 September 2021 (in accordance with the Accounts and Audit (Amendment) Regulations 2021.</p>	<p>Procedures and responsibilities of Members and Officers in the process for producing and approving the 2020/21 AGS were agreed. It was noted that the AGS would take into account recent CIPFA guidance issued for the production on the 2020/21 AGS including in relation to the impact of the COVID-19 pandemic.</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>November 2020</p> <p>The Committee received a report of the Counter Fraud and Enforcement team outlining the Councils’ fraud prevention and detection performance and activities in 2019/20, as well as the team’s plans for 2020/21. Key areas of work in 2019/20 included investigations in relation to Council tax discounts; Council tax support; Non-Domestic Rates and Social Care payments. The report included case study examples to show how the team contributes to fighting fraud and protecting public funds. It was also noted that in terms of 2020/21, the team was leading in administering COVID-19 business grant schemes and investigating suspected fraud. The Committee will receive an update on this work at a meeting later in 2021.</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 2021</p> <p>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: 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 later in 2021/22.</p>	<p>The Committee gained assurance that the Council was 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.

Work Completed	Outcome/ Impact
<p>July 2020</p> <p>A report was submitted on the outcome of the review of treasury management activities for the previous financial year (2019/20).</p> <p>The Executive Member for Finance and Investment presented a report setting out 2019/20 outturn figures relating to both revenue and capital budgets, and the level of General and Service reserves. It also summarised the final unaudited position for Council Tax within the Collection Fund. The Executive Member also took the opportunity to brief the Committee on some of the principal challenges, mainly linked to the impact of COVID-19, facing the Council’s budget in the current and coming years.</p> <p>In advance of the Committee receiving the Council’s 2019/20 accounts for review and approval, a training session was held for Members covering the 2019/20 financial outturn position and the draft accounts.</p>	<p>The Committee had the opportunity to review the information provided and asked a number of questions including in relation to the possible implications of the COVID-19 pandemic.</p> <p>Members had the opportunity to ask questions on a number of aspect of the report and for relevant queries it was agreed that further updates would be provided following the meeting.</p> <p>Members had the opportunity to gain information and raise queries ahead of reviewing the 2019/20 accounts to be presented at the November 2020 meeting.</p>
<p>November 2020</p> <p>A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2020/21.</p> <p>The Council’s 2019/20 accounts were presented to the Committee. Members were advised of the possibility of further amendments to the accounts prior to the formal completion of the</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. This included discussion regards the impact of the COVID-19 pandemic such as in relation to the wider economy, interest rates and investment income.</p> <p>The Committee viewed the 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</p>

(Accounts/Financial Management continued)	
Work Completed	Outcome/ Impact
<p>audit.</p> <p>(Also see Risk Management: November 2020 meeting – insurance update provided by Financial Management).</p>	<p>Corporate Director of Finance and Systems would approve the accounts. (Further to the meeting, the Accounts were approved in March 2021).</p>
<p>February 2021</p> <p>A Treasury Management report was submitted setting out the Council’s strategy for 2021/22 – 2023/24. This included the strategy for investments, borrowing, and the minimum revenue provision in terms of the amounts set aside for debt repayment.</p> <p>(In advance of the February meeting, a training session was provided for Committee Members in January 2021 to focus on issues within the Treasury Management Strategy report).</p>	<p>The Accounts and Audit Committee were able to ask questions on the content of the report and recommended that the Council approve the various elements of the Treasury Management Strategy.</p>
<p>March 2021</p> <p>A report was circulated to Accounts and Audit Committee Members which explained the accounting concepts and policies which would be used in preparing the 2020/21 annual accounts.</p> <p>The Committee received a presentation on the STAR Shared Procurement Service. This covered aspects of STAR’s activities, performance and future plans.</p>	<p>Members were advised there were no material changes to the Accounting Policies for the 2020/21 accounts but were advised of future changes which would apply for the 2021/22 accounts in respect of accounting for leases.</p> <p>An opportunity was provided for Members to raise questions in respect of a number of aspects covered including savings achieved and social value. It was agreed by Committee Members that updates would continue to be received on a periodic basis.</p>
<p>All meetings</p> <p>The Accounts and Audit Committee received the most recent available monthly budget monitoring reports for 2020/21, 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>