



The Audit Plan for Trafford Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2014

25 March 2014

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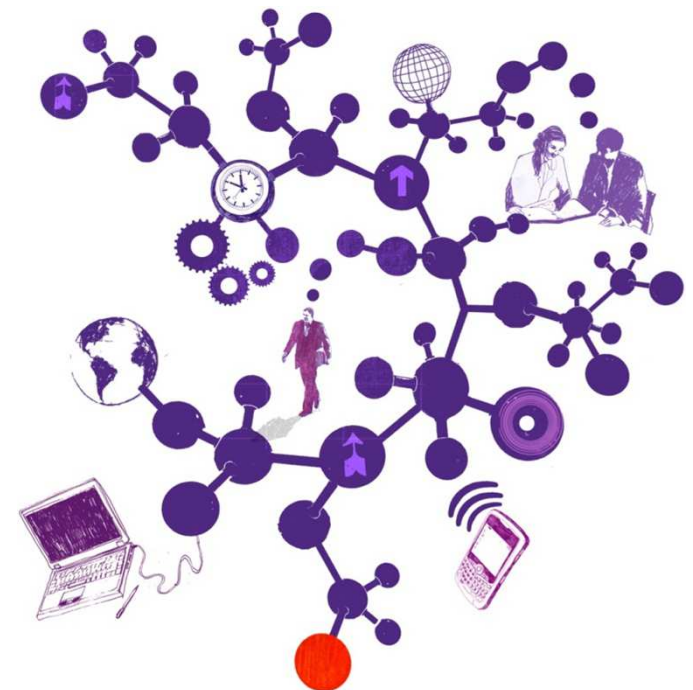
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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Efficiency savings

- The Council plans to deliver a balanced budget in 2013/14 and needs to achieve £18.5m savings.

2. Medium term financial planning

- The Council has agreed its budget for 2014/15. This requires efficiency, additional income and other savings measures amounting to £17m.
- The Council's medium term forecast indicates it will need to reduce expenditure and/or increase income by £49.8m over the next three years, 2015/18.

3. Responding to changes or transfers of responsibilities to Local Government

- From 1 April 2013 the Council took on new responsibilities including Public Health, Business Rates Retention and Local Council Tax Support. These changes present both opportunities and challenges for the Council.

4. Delivering regeneration projects

- The Council continues to work closely with private and public sector partners to co-ordinate and implement the strategic economic growth of the Borough, including the regeneration of town centres



Our response

- Review the 2013/14 revenue budget outturn and audit of the 2013/14 financial statements.
- Monitor the forecast outturn and financial position of the Council for the 2013/14 year.

- Examine the Council's arrangements to update its Medium Term Financial Strategy and projections of savings required in future years.

- Watching brief over the changes to the Council's arrangements.
- Review of the joint plan prepared by the Council with Trafford CCG and the Health and Wellbeing Board for the transformation of adult health and social care services through the Better Care Fund.

- Watching brief over the Council's regeneration projects and future plans.
- Audit of accounting for Capital Expenditure, Capital Financing, Grants and Contributions.

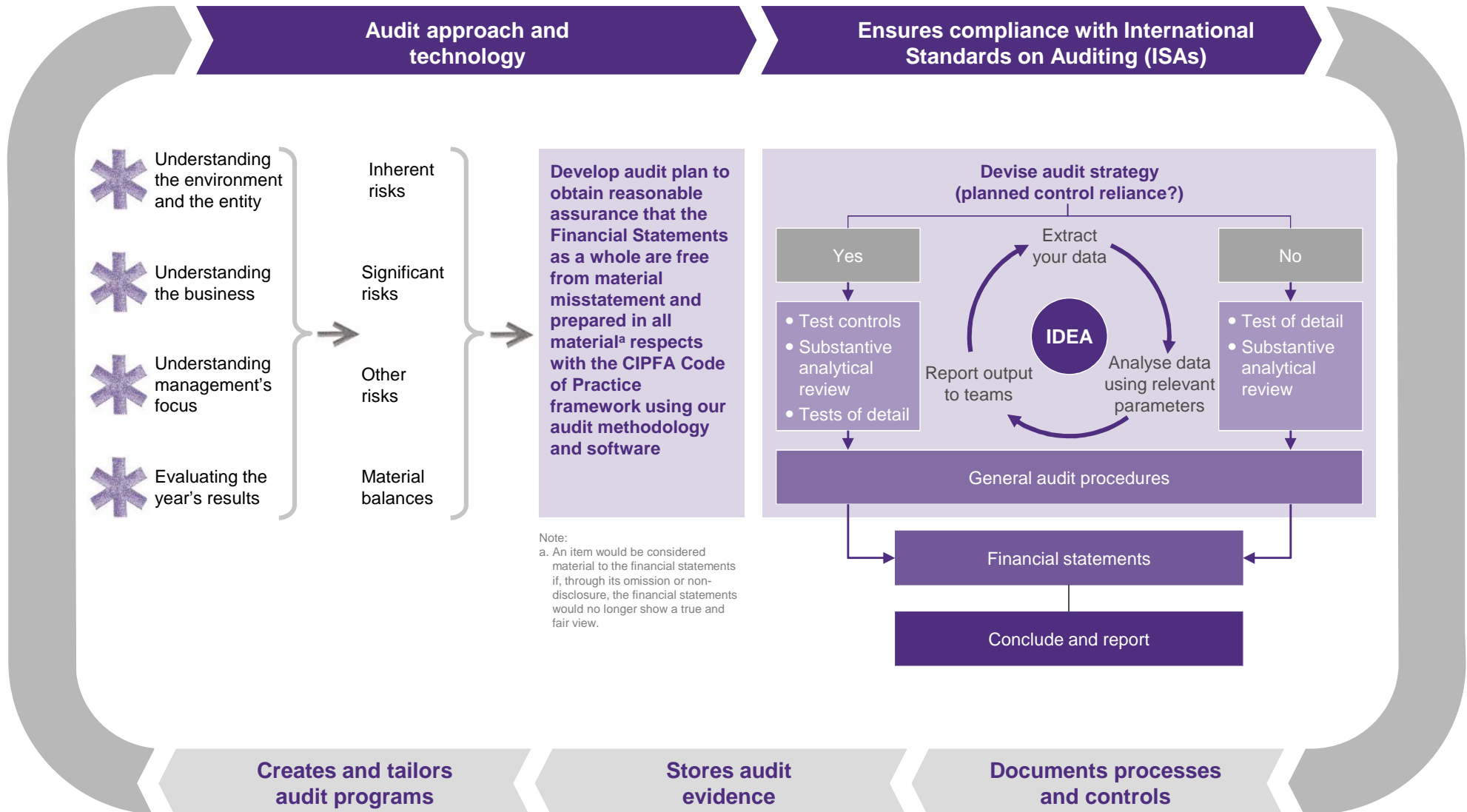
Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements					
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Clarification of Code requirements around PPE valuations • Changes to NDR accounting and provisions for business rate appeals • Transfer of assets to Academies 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement • Welfare reform Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<p>4. Pensions</p> <ul style="list-style-type: none"> • The impact of 2013/14 changes to the Local Government pension Scheme (LGPS) 	<p>5. Continuing financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required

Our response					
<p>We will ensure that</p> <ul style="list-style-type: none"> • The Council complies with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and our substantive testing • Schools are accounted for correctly and in line with the latest guidance 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<ul style="list-style-type: none"> • We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management and will review the accounting treatment in the 13/14 accounts for IAS19 	<ul style="list-style-type: none"> • We will review performance against the savings plans, and the arrangements in place to respond to financial pressures • We will undertake a review of financial resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<ul style="list-style-type: none">• Review and testing of revenue recognition policies• Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries• Review of unusual significant transactions• Review of IT general controls

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work to be completed during interim visit	Further work planned at post statements visit
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> • Documentation of processes and controls • Evaluation and walkthrough of controls • Sample testing of expenditure in the year to date 	<ul style="list-style-type: none"> • Sample testing of operating expenses for the remaining period of the year. • Detailed review and testing of year end accruals and creditor balances.
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> • Documentation of the processes and controls • Evaluation and walkthrough of controls • Sample testing of expenditure in the year to date 	<ul style="list-style-type: none"> • Sample test of payroll expenditure for the remaining period of the year.
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> • Documentation of processes and controls • Evaluation and walkthrough of controls 	<ul style="list-style-type: none"> • Agreement to accounts and supporting notes. • Housing Benefit and Council Tax Subsidy Claim testing using Audit Commission HBCOUNT approach.
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> • Test to confirm the operation of the system and controls • Evaluation and walkthrough of controls. 	<ul style="list-style-type: none"> • Sample testing of PPE movements during the year. • Agreement to accounts and supporting notes. • Sample test of PPE additions and disposals, including compliance with capitalisation requirements.

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work to be completed during interim visit	Further work planned at post statements visit
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none">Review of the arrangements made by management to commission an appropriate valuation of the Council's asset base and the steps taken to ensure that valuations obtained are correctly reflected in the Council's asset register and accounted for in the financial statements.	<ul style="list-style-type: none">Review of the analysis which demonstrates that the value of assets in the Council's balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014.Detailed testing of accounting entries posted to reflect valuations obtained.

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- Assess 2013/14 financial performance, the 2014/15 revenue budget assumptions, and the Medium Term Financial Strategy.
- High level review of actions taken by the Council to manage risks to council tax and business rates collection levels arising from welfare reform, changes to business rates and the current economic climate.
- Review, as a tracer, the Council's joint work with its partners to implement the Better Care Fund.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Results of interim audit work

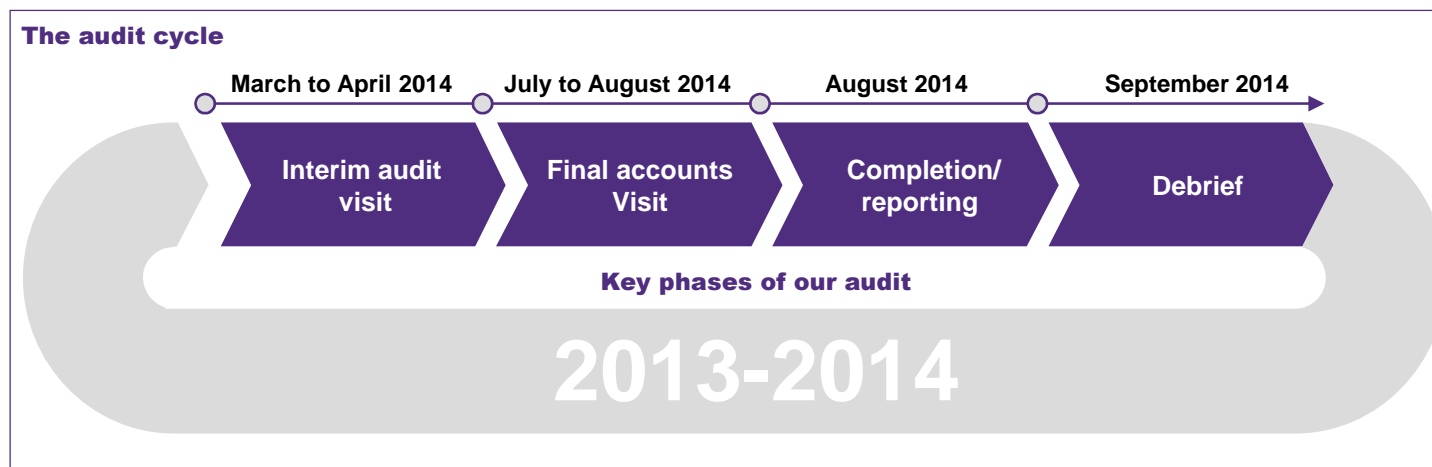
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We are reviewing internal audit's overall arrangements in accordance with auditing standards. Our work to date has not identified any issues which we wish to bring to your attention.</p> <p>We are also reviewing internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>When this work is complete, we will conclude whether overall the internal audit service continues to provide an independent and satisfactory service to the Council and internal audit work contributes to an effective internal control environment at the Council.</p>
Walkthrough testing	<p>We are completing walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p>	<p>Upon completion of this work, we will bring to your attention any issues or weaknesses which impact on our audit approach.</p>
Review of information technology (IT) controls	<p>Our information systems specialists are performing a high level review of the general IT control environment, as part of the overall review of the internal controls system. This is to provide assurance that IT controls have been implemented in accordance with our documented understanding.</p>	<p>Our work to date has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

Results of interim audit work

	Work performed	Conclusion
Journal entry controls	<p>We are reviewing the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>We will perform detailed testing of journal entries at the year end.</p>	<p>Our work to date has not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>

Key dates



Date	Activity
January to March 2014	Planning
March to April 2014	Interim site visit
25 March 2014	Presentation of audit plan to Accounts and Audit Committee
July to September 2014	Year end fieldwork
From August 2014	Audit findings meetings with finance officers
September 2014	Report audit findings to those charged with governance (Accounts and Audit Committee)
By 30 September 2014	Sign financial statements opinion and vfm conclusion

Fees and independence

Fees

	£
Council audit	156,119
Grant certification	27,700
Total fees (excluding VAT)	183,819

Fees for other services

Service	Fees £
n/a	nil

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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