

The Audit Findings for Trafford Council

DRAFT

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 2015

24 September 2015

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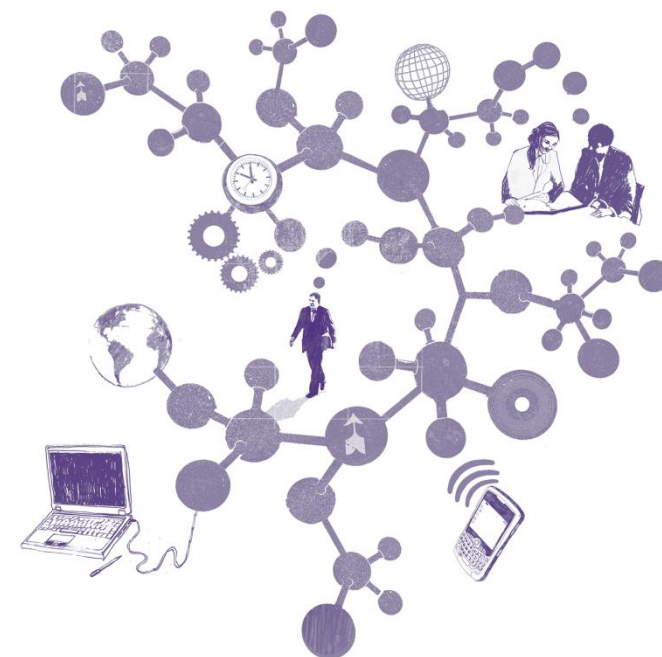
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Dear Theresa

Audit Findings for Trafford Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Trafford Council, the Accounts and Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents will be discussed with the Accounts and Audit Committee.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Mike Thomas
Engagement Lead

Chartered Accountants

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Trafford Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 24 March 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- review of the final version of the financial statements
- review of responses to outstanding queries

- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements by 30 September 2015. We have worked closely with the Council's finance team and are pleased to report that:

- as last year, the draft accounts were prepared to a good standard and were supported by comprehensive working papers
- we were able to commence our audit as previously planned and agreed with the Council
- there are no significant amendments to the accounts as a result of our audit.

We have not identified any adjustments affecting the Council's reported financial position. The Council delivered an underspend of £5.5m on its service income and expenditure and the audited financial statements for the year ended 31 March 2015 record net cost of services expenditure of £152.4m.

We have agreed a small number of adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls**Roles and responsibilities**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

We draw your attention to a number of areas where segregation of duties in financial processes within the SAP system should be reviewed. We have shared our findings with management and we will follow up as part of our 2015/16 audit.

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2015

Section 2: *Audit findings*

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Accounts and Audit Committee on 24 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 24 March 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Trafford Council, we determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Trafford Council, mean that all forms of fraud are seen as unacceptable. <p>We therefore do not consider this to be a significant risk for Trafford Council.</p> <p>As part of our audit work we have;</p> <ul style="list-style-type: none"> • reviewed your revenue recognition policies • tested material revenue streams 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<p>We have undertaken work to:</p> <ul style="list-style-type: none"> • review accounting estimates, judgements and decisions made by management • test journal entries • review unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are in line with our documented understanding tested the year-end reconciliation of the accounts payable system to the general ledger tested operating expenses including sample testing of expenditure, year end accruals and creditor balances 	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Employee remuneration accrual understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively tested the year-end reconciliation of the payroll system to the general ledger completed a month-by-month trend analysis on payroll costs to identify any unusual fluctuations substantive testing of sample of 24 salary payments to employees 	Our audit work has not identified any significant issues in relation to the risk identified



Audit findings against other risks continued

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare Expenditure	Welfare benefit expenditure improperly computed	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • reconciled welfare benefits expenditure system to the general ledger and financial statements • reconciled welfare benefit income to grant claim and cash received • substantively tested a sample of welfare benefit payments • substantively tested to ensure the welfare benefits system is operating the correct parameters and rates • completed an analytical review. 	Our audit work has not identified any significant issues in relation to the risk identified. Substantive testing of a sample of 10 welfare benefit payments confirmed the accuracy of the benefit entitlement assessments completed by the Council and the payments made to claimants.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.




Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<ul style="list-style-type: none"> Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council. Council Tax and Non Domestic Rate income is recognised in the Collection Fund on an accruals basis, when it is due from the Council Tax or Non Domestic Rate payer. The Council's share of this income is recognised in the CIES. Government grants are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and the grants or contributions will be received. 	<ul style="list-style-type: none"> The Council's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). The main elements of the Council's revenues are predictable and there is minimal judgement required from the Council. The accounting policy is appropriately disclosed in note 1 to the financial statements. 	
<p>Estimates and judgements</p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> useful lives of property, plant and equipment pension fund valuations and settlements revaluations and impairments provisions and accruals. 	<ul style="list-style-type: none"> The Council's accounting policies for key estimates and judgements are appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). The accounting policies are appropriately disclosed in note 1 to the financial statements. Our audit testing of key estimates and judgements has considered the extent of judgement involved, the potential impact of different assumptions and the range of possible outcomes. We are satisfied that the key estimates and judgements are appropriate and adequately disclosed and reliance on experts is taken where appropriate The Council has appropriately relied on the work of experts for asset revaluations, pension fund valuations, financial instrument fair values, and the valuation of its investment in the Manchester Airport Group. 	

Assessment


-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Judgements - local authority maintained schools premises	The Council's recognition criteria for schools non-current assets is determined by ownership and the rights of the legal owner. All Community and Foundation Schools are recognised on the Council's balance sheet. Voluntary Controlled, Voluntary Aided and Academy Schools are not recognised on the Council's balance sheet.	<ul style="list-style-type: none"> The Council has considered the content of the CIPFA Code of Practice and supplementary guidance, and has documented its judgement with supporting evidence. The Council's accounting policy for schools non-current assets is clearly and fully disclosed in accounting policy note w to the financial statements, and has been consistently applied. Our review of the accounting policy, accounting treatment and evidence to support the Council's judgement has not identified any issues which we wish to bring to your attention. 	
Going concern	The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed management's assessment and related financial plans and forecasts and are satisfied that the going concern basis is appropriate for the preparation of the 2014/15 financial statements.	
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Accounting policies, Estimates & Judgements– review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>Estimates and judgements - Property, Plant & Equipment</p> <p>In previous years the Council carried out a rolling programme of revaluations, with the date of the valuations varying between 31 March 2010 and 31 March 2014. This approach was similar to many other authorities and we were satisfied that the Council had satisfied itself that the carrying amount of Property, Plant and Equipment (based on these valuations) did not differ materially from the fair value at 31 March 2014.</p> <p>However, in our view this rolling programme did not meet the Code's requirement to value items within a class of property , plant and equipment simultaneously, as this Code requirement, which is based on IAS 16 Property, Plant and Equipment, only permits a class of assets to be revalued on a rolling basis provided that:</p> <ul style="list-style-type: none"> • the revaluation of the class of assets is completed within a 'short period' • the revaluations are kept up to date. <p>In our view, we would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year.</p>	<p>The Council has continued with its policy of revaluing land and buildings assets on a rolling basis over a five year period as set out in note 12 to the financial statements. We have reviewed the revaluations completed for 2014/15 and have reviewed management's consideration of the reasonableness of the valuations for those assets in a class that have not been re-valued this year. We are satisfied that there is no indication that the carrying value of these assets is materially different from their fair value.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Accounts and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained positive direct confirmations from PWLB, and other banks for loans and short term investment balances. All requested confirmations were provided.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

As part of our planned programme of work, our information system specialist team undertook a high level review of the general Information Technology (IT) control environment at the Council. This was undertaken as part of the review of the internal controls system. We identified a number of areas where segregation of duties in financial processes within the SAP system needs to be reviewed. We have shared our findings with management and we will follow up as part of our 2015/16 audit.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>Budget monitoring</p> <p>There were serious weaknesses in arrangements to monitor and manage the budget within adult social care services (ASC) during 2013/14 , which involved misreporting by an officer, and late identification of an ASC service deficit of £3.7m . The Council carried out a thorough review of the events and circumstances, and agreed a clear action plan to address the control weaknesses identified. The review, confirmed that The misreporting and failings in budget management were not symptomatic of wider problems across the Council's services. Our own forensic review of the Council's investigation confirmed the conclusions and recommendations reached. The Council agreed an action plan to address the weaknesses identified.</p>	<p>The Council have closely monitored and regularly reported progress made against the revised budget monitoring arrangements introduced as part of the agreed action plan produced in 2014/15.</p> <p>Work is continuing in 2015/16 to ensure that revised budget monitoring arrangements are maintained and to ensure there continues to be on-going improvements within arrangements in Adult Services and on a Council-wide basis.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 Cash flow and supporting notes			
1) Note 26b (adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities) shows capital grants of £20,908k. This figure includes in error REFCUS grants totalling £5,354k. Should not have been included as not capital grants.	Nil	Nil	Nil
2) Note 27 (investing activities) shows receipts from capital grants received of £22,867k. REFCUS grants included. Compensating error of £5,354k with note 26b (see point 1 above).			
Main cash flow and supporting notes amended for the above points.			

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Accounts and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 None arising			

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
<p>1 MIRS 2013/14</p> <p>MIRS 2013/14 other CI&E line has been restated to include prior year adjustment for academy schools brought in at 1 April 2013. This adjustment should have been made against the opening revenue balances on the statement. MIRS 2013/14 has been amended for this issue.</p>			
<p>2 There were a number of other minor disclosure amendments made to the financial statements. These have been agreed with officers and amended accordingly.</p>			

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted that the Council has sufficient arrangements in place for securing financial resilience. The medium term financial strategy is subject to regular review and challenge by members and there is sufficient engagement with stakeholders in its development. There is appropriate challenge and support from members, who understand the financial risks the Council is facing.

There remain significant financial challenges ahead, with further savings to deliver in order to maintain a balanced budget in each of the next three years. The Council's track record to date provides a good level of confidence that it will meet these challenges.

Over the next three years to 2017/18, the Council forecasts a budget gap totalling £57 million. The Council has implemented an ambitious programme to redesign and transform all areas of the Council to help deliver the future savings required.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council has good arrangements in place to develop financial priorities and redesign services within available resources, to ensure they are used effectively.

The Council has a good understanding of its costs and this enables it to make informed decisions based on accurate information. Regular budget monitoring also ensures that the latest available information is used to assess delivery against savings targets and identify risks and any mitigating actions required.

Value for Money

As well as being involved in the Greater Manchester devolution agenda, with public and private sector partners, the Council is also working specifically with its health partners to develop an integrated all age locality based health & social care service. Work is also underway with Trafford Clinical Commissioning Group to respond to the opportunities provided through the recently agreed devolution deal which will see £6bn of the health economy devolved to Greater Manchester from April 2016.

It is clear that the Council is in a period of significant change in the way it fulfils its responsibilities and delivers its services. The Council will need to ensure effective partnership working, project and risk management, and governance arrangements are maintained to assure itself that the changes deliver its service reform, performance and savings targets in accordance with its strategic objectives.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied 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 2015 .

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	<p>The Council achieved a planned underspend on revenue activity of £5.5m and has a general fund reserve balance of £7.87m at 31 March 2015. The general fund reserve balance as at 31 March 2015 was above the Council's approved risk assessed minimum level of £6m approved by the Council on the 18 February 2015. The latest budget report for 2015/16 shows the Council is planning to use £1.2m of general fund reserves to support the budget.</p> <p>The final capital outturn for 2014/15 was £26.5m against a revised budget of £42.9m. Underspend of £16.4m was mainly due to slippage with significant re-profiling of schemes to 2015/16.</p> <p>The Council manages long term loans and both long and short term investments to minimise the interest payable on external borrowings, and to generate as high an income levels as possible on cash deposits relative to risk. The Council's borrowings at 31 March 2015 was £98.3m (31 March 2014: £100.7m) with £2.7m due within a year. The Council's long term borrowings (including PFI liabilities) at 31 March 2014 as a percentage of long term assets was 19%. This compares to a Greater Manchester average of 33% at 31 March 2014 and was the second lowest of ten Councils at the date.</p> <p>The Council complied with treasury management and prudential indicators and benchmarks for 2014/15.</p> <p>In-year collection rate for Council Tax in 2014/15 was higher than planned for, and for the sixth year running was the highest amongst the Greater Manchester Authorities. A total of £94m of Council Tax was collected in respect of 2014/15, a performance of 97.8% (2013/14: 97.7%). The collection rate for Business rates for 2014/15 was 97.4% which was on target.</p> <p>In 2014/15 the average number of days lost by the Council due to sickness was 10.77 days (2013/14: 10.26 days). This is above the average of 8.8 days for local government in 2012/13.</p>	Green

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Strategic financial planning	<p>The Council agreed its 2015/16 budget in February 2015 after consultation with stakeholders and staff on key decisions and approval by the Executive. The 2015/16 budget is supplemented with medium term planning projected through to 2018-19 using latest economic projections on funding and cost pressures. The Plan sets out a requirement to balance a budget gap of £21.5 million with a combination of efficiencies and income and policy choices.</p> <p>The Council recognises it requires transformational change to managing its budget pressures. Its Reshaping Trafford Council Programme will deliver a new organisational model for the Council from 2017/18 by using a mix of different delivery models. This programme has identified £21.5m of savings and additional income for 2015/16. All services will be subject to comprehensive service reviews to identify further opportunities for optimising resources and prioritising services for delivery.</p> <p>Future budgets remain challenging with further austerity reductions and increasing demand and costs. The Council estimates that in the period to 2017/18 it will need to address a gross budget deficit of £57m.</p>	Green
Financial governance	<p>The Council has a well established approach to financial governance and a good track record of delivering performance in line with budgets. There is a good understanding of the financial environment and the challenges facing the Council at all levels within the organisation. Members provide a robust challenge on financial matters. The Council has engaged with staff and stakeholders as part of the service and financial planning process to receive their input on the proposals and priorities of the Council.</p> <p>During 2014/15 the Council have acted to address particular governance issues in relation to budget monitoring and management, and financial reporting arising from the review into the budget overspend in Adult Social Care Services during 2013/14. The Council has made significant progress against the agreed action plan and the majority of recommendations have been fully completed.</p>	Green

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Financial control	<p>The Council's main financial systems provide reliable and timely financial monitoring information to enable the Council to identify and manage financial risks.</p> <p>The Council has a robust and effective business planning and budget setting process and maintaining spend within the overall budget is seen as a priority. The Council has successfully delivered savings in previous years but needs to continue to carefully monitor savings being delivered to allow appropriate action for slippage or under achievement.</p> <p>Through the business planning and budget setting process, the Council has a good understanding of its costs and performance and considers different ways of bridging the funding gap either through service redesign or additional income generating schemes.</p> <p>The Council has an effective in-house internal audit function which complies with the standards within the CIPFA Code of Practice for Internal Audit. Internal Audit is working with other North West authorities to agree an approach for an external assessment of the Service against the Standards to take place by 2016/17.</p> <p>Internal Audit plans are approved by the Accounts and Audit Committee with regular progress reports against the Plan being presented.</p> <p>The Council has a strategic risk register in place and Directors and the Accounts and Audit Committee have reviewed the associated arrangements in place for improving control and mitigating risks faced by the Council. Quarterly strategic risks monitoring is reported to the Transformation, Performance and Resources Group, Corporate Management Team and the Accounts & Audit Committee.</p>	Green

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Prioritising resources	<p>The Executive and Senior Management demonstrate clear leadership and challenge to prioritise the Council's resources. The Council is prepared to challenge the way services are delivered as demonstrated by its current transformation programme for the redesign of services.</p> <p>Changes to local government responsibilities across Greater Manchester (GM) are planned following the signing of the devolution agreement in November 2014 which will see Greater Manchester take on new powers and responsibilities for public spending from April 2016 for health and social care and in 2017 on transport, strategic planning and housing.</p> <p>The Council has strong relationships with both healthcare providers and the Clinical Commissioning Group in Trafford. The Council is continuing to work with the Trafford Clinical Commissioning Group to ensure it is aligned to benefit from the advantages and opportunities to be gained from the new place based health economy and plans are underway to develop a collective Place Based Plan for Trafford.</p>	Green
Improving efficiency & productivity	<p>The Council has a proven track record of delivering savings to contain expenditure within available resources. It has recognised however that with demand for services still increasing and declining support from government it will need to do more. The Reshaping Trafford Council programme aims to maximise income generation and improve innovation to create future business and operational choice.</p> <p>Other major initiatives impacting on future strategic capacity are Public Sector Reform and Health and Social Care Integration. The Council is making further progress to develop new ways of working and delivering integrated services to ensure greater effectiveness, productivity and create sustainability going forward.</p> <p>The Greater Manchester devolution agenda will also bring further change and challenges. Each locality within GM has now formally signed up to the GM Devolution agreement through their relevant locality governance arrangements. Progress is being made on the development of the detailed implementation plans within each area of the agreement.</p> <p>The Council will need to ensure effective partnership working, project and risk management, and governance arrangements are maintained to assure itself that the changes deliver its service reform, performance and savings targets in accordance with its strategic objectives.</p>	Green

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	*156,119	157,589
Grant certification on behalf of Audit Commission	15,330	15,330
Total audit fees	171,449	172,919

**£156,119 per fee letter 7 May 2014 plus £1,470 supplementary fee approved by the Audit Commission for audit work required on business rates.*

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 Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Fees for other services

Service	Fees £
Audit related services	
Teachers' pension return 2013/14	£4,200
Non audit related services	Nil

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report 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.

	Audit Plan	Audit Findings
Our communication plan		
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 issues 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		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAFFORD COUNCIL

We have audited the financial statements of Trafford Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Trafford Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited

financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Trafford Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Trafford Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Mike Thomas

for and on behalf of Grant Thornton UK LLP, Appointed Auditor



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