

Annual Audit Letter

Trafford Metropolitan Borough Council

Audit 2010/11



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Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- **the audit of your financial statements; and**
- **my assessment of your arrangements to achieve value for money in your use of resources.**

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Traffic light key

Red ■ Amber ◆ Green ●

Audit opinion and financial statements

This year the Council had to produce its accounts for the first time under the International Financial Reporting Standards (IFRS) based CIPFA Code of Practice ('the Code') which came into effect from 1 April 2010.

The introduction of IFRS posed challenges including interpretation of the standards, and a requirement to restate prior year comparative figures.

The Council's finance team performed well to meet the increased demands of IFRS and produced a good draft set of accounts. The

quality of the accounts is reflected in the small number of audit adjustments required which were largely presentational in nature.

One adjustment made for the receipt of money from a VAT claim in April 2011 affected the overall income and expenditure figures. This increased the general fund balance by £1.182 million.

I gave an unqualified opinion on the Council's financial statements, following approval of the accounts by the Accounts and Audit Committee on 28 September 2011.

More details of the outcome of my financial statements audit are given on page 5.

Value for money

As well as giving my opinion on the financial statements, I must also reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

I issued an unqualified value for money conclusion on 28 September 2011.

Current and future challenges

Economic downturn and pressure on the public sector

The current economic climate continues to place significant pressure on the public sector, and local government in particular to generate efficiencies and work within reduced resources.

The Council successfully managed these pressures in 2010/11 but faces more challenges over the next few years.

The Council is required to deliver total estimated savings of £58 million over the next four years which includes a target of £21.3 million in the coming year. Currently, it is making good progress against the planned savings target for 2011/12 and the forecast general fund balance is above the Council's approved minimum level of £6 million.

The Council has a good track record of managing its budget and has a strong framework in place to plan and monitor delivery of required future savings.

It is therefore well placed to respond to these future challenges.

Town Hall redevelopment

The Town Hall is being refurbished as part of the Council's transformation programme. The aim is to make more efficient and effective use of assets in carrying out Council business. During this period of refurbishment staff and facilities have been temporarily relocated to a leased property at Quay West, Trafford Park.

The Council is managing the overall project within its risk management framework. It monitors and reports regularly on overall affordability and key deadlines. This should help to ensure successful delivery of the project.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds.

Overall conclusion from the audit

I issued an unqualified opinion on the Council's financial statements following approval of the accounts by the Accounts and Audit Committee on 28 September 2011.

The accounts adopted the International Financial Reporting Standards (IFRS) based CIPFA Code of Practice ('the Code') for the first time. The Council held a training workshop with members of the Accounts and Audit Committee on 27 June 2011 and followed best practice to formally present the accounts to the Accounts and Audit Committee on 29 June 2011.

The accounts presented for audit were free from material error and required no significant adjustments after the audit. My audit identified an adjustment for a VAT claim settled in April 2011 which increased the general fund balance by £1.182 million. I also agreed some presentational amendments to the financial statements, and these appear in the final audited version.

I completed my audit of the 2010/11 Whole of Government Accounts (WGA) consolidation pack and issued my assurance statement in line with the required 30 September 2011 deadline.

Identified weaknesses in internal control

I identified a weakness in the controls within the system for generating residential and domiciliary care payments ('softbox'). The Council did not reconcile the amounts payable within softbox to those produced within the general ledger. This could increase the risk that incorrect payments are made and recorded in the financial statements.

I was satisfied from my testing of residential and domiciliary care payments as part of my audit that these weren't materially misstated in the financial statements. Management has confirmed that they now regularly reconcile payments between the softbox system and general ledger.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p><i>Focus for 2010/11:</i></p> <p>The organisation 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.</p>	<p>I monitored your budget position throughout the year and looked at your medium term financial planning in the context of the comprehensive spending review (CSR).</p> <p>Financial planning assumptions were reasonable and there were clear detailed plans in place to deliver required savings of £21.3 million during 2011/12.</p> <p>The Council also has high level plans in place to secure further savings over the next four years following its consideration of the CSR.</p> <p>The Council has a good track record of performing within budget. It reported a £2.2 million underspend against its 2010/11 revenue budget. The Council had a general fund balance of £6.9 million at 31 March 2011, which is above the minimum level of £6 million that the Council has approved.</p>

Criterion	Key messages
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p><i>Focus for 2010/11:</i></p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>From reports and actions taken, the Council clearly understands the significant and rapidly changing financial management challenges and risks faced, and the importance of securing a stable financial position into the medium term.</p> <p>There is effective use of available financial data in monitoring and reporting financial performance.</p> <hr/> <p>There are good arrangements for securing economy, efficiency and effectiveness.</p> <p>The Council has a strong framework in place to manage risks, including regular review and update against its risk management framework, and effective challenge.</p> <p>It also has an effective transformation approach, including sound governance and regular review and progress updates.</p> <p>There is structured involvement and challenge from members including specific workshops to discuss future savings choices.</p> <p>In keeping with most other Councils, Trafford has considerable financial challenges ahead. Trafford's structured approach to planning, the budget processes in place and the track record of savings achieved to date all place the Council in a good position to respond successfully to these challenges.</p>

Closing remarks

I have discussed and agreed this letter with the Acting Chief Executive and the Director of Finance. I will present this letter at the Accounts and Audit Committee on 23 November 2011 and will arrange to provide copies to all Committee members.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued
Audit plan	December 2010
Audit progress reports	At each Accounts and Audit Committee meeting throughout the year
Annual governance report	September 2011
Annual audit letter	November 2011

The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Mick Waite

District Auditor

November 2011

Appendix 1 – Fees

	Actual (£)	Proposed (£)	Variance (£)
Financial statements, including WGA	156,600	156,600	0
VFM conclusion	132,510	132,510	0
Total audit fee	289,110	289,110	0
Audit Commission rebates*			
■ IFRS implementation	17,346	17,346	n/a
■ VFM	10,119	10,119	
Net audit fee payable	261,645	261,645	0
Certification of grant claims	not yet complete	43,000	n/a

Note: * the Commission rebated £17,346 in April 2010 to subsidise the 'one-off' element of the cost of transition to IFRS for local authorities. It also issued a rebate for the change in approach to the vfm work from 2010/11

Appendix 2 – Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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