

# Annual Audit Letter

Trafford Metropolitan Borough Council

Audit 2008/09

November 2009



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

**This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

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## Audit Opinion

- 1 I issued an unqualified opinion on the Authority's financial statements on 30 September 2009. Before giving my opinion, I reported to the Audit Committee on the findings of the 2008/09 audit.
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## Financial Statements

- 2 The Authority met all statutory deadlines for the production of the financial statements and provided comprehensive working papers in accordance with agreed requirements and timescales. The Authority's arrangements in place for producing the financial statements were again proven to be effective, and I am pleased to report that officers responded promptly to queries we raised during the audit.
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## Whole of Government accounts

- 3 The Authority is required to submit a whole of government accounts 'consolidation pack' to the Department for Communities and Local Government (DCLG) and I am required, as your auditor, to undertake a range of procedures and report on the pack.
  - 4 The Authority provided the consolidation pack on a timely basis, enabling me to conclude my review and submit the pack to DCLG in accordance with the prescribed timescale.
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## Value for money

- 5 I issued an unqualified opinion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources on 30 September 2009.
  - 6 My evaluation of your use of resources concluded that the Authority performs at least adequately in all areas assessed. I am pleased to note that Authority performs well in a number of areas.
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## Use of resources

- 7 I assessed how well you are using and managing your resources to deliver better value for money, based on the Audit Commission's methodology and four point scoring framework, where 1 is 'inadequate', and 4 is 'excellent'. My assessment is as follows.
- Managing Finances - Level 3, and 'performing well'.
  - Governing the Business - Level 2, and 'performing adequately'.
  - Managing Resources - Level 2, and 'performing adequately'.

## Comprehensive Area Assessment and Organisational Assessment

- 8 The Audit Commission introduced a new assessment regime during 2009, Comprehensive Area Assessment. This aims to review the performance of local partners in delivering better outcomes for local people. The assessment is designed to focus attention on priority areas that may need further action to deliver further and sustained improvement. Our work in this area is being led by the local Comprehensive Area Assessment Lead (CAAL). The CAAL has shared draft findings with officers and he is due to formally report on 10th December 2009.
- 9 Alongside the CAA report the CAAL will also issue your organisational assessment which combines our judgements on your use of resources with the results from other assessments and inspections under 'managing performance'. Any issues arising will be discussed with you and planned into future years audit and assessment activity.

### Table 1 Audit fees

- 10 I have contained my audit fee to the total previously agreed with you for the 2008/09 audit

	Actual	Proposed	Variance
Financial statements	186,362	186,362	0
Value for money	103,727	103,727	0
<b>Total audit fees</b>	290,089	290,089	0

## Actions

- 11 Recommendations to improve performance are shown within the body of this report and have been agreed with management.

## Key messages

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### Independence

- 12 I confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

# Financial statements and annual governance statement

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

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## Significant issues arising from the audit

- 13** I issued an unqualified opinion on your financial statements on 30 September 2009. I agreed with management a number of amendments to the financial statements, including in the following areas.
- Transfer from long term investments to short term investments.
  - Transfer from capital grants to useable capital receipts.
  - Transfer between provisions and reserves.
  - Amendments affecting creditors, income and expenditure account and general fund balances.
- 14** The overall impact of the adjustments was to increase the Council's net worth by £10m, and both reduce net operating expenditure and increase general fund balances by £0.3m.
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## Material weaknesses in internal control

- 15** I did not identify any significant weaknesses in your internal control arrangements.
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## Accounting Practice and financial reporting

- 16** I considered the qualitative aspects of your financial reporting. I am pleased to report that management agreed to correct all significant errors during the course of the audit, including those that were below the materiality level for our audit opinion.
- 17** I agreed with management some relatively minor amendments to disclosure notes in the financial statements.
- 18** The Authority has put in place arrangements to ensure that the agreed amendments are taken into account in producing the financial statements for 2009/10.
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### International Financial Reporting Standards (IFRS)

- 19** In March 2008 the Treasury announced that the annual financial statements of government departments and other public sector bodies would be prepared using International Financial Reporting Standards (IFRS) from 2009/10 onwards. For local government bodies the first full year of application is the 2010/11 financial statements but the starting period for this (the transition date) is 1 April 2009. Local government bodies will be required to produce their 2009/10 Whole of Government Accounts return on an IFRS basis.
- 20** As part of my 2008/09 audit I have completed an Audit Commission survey on the Council's progress in preparing for the implementation of the IFRS. The Council has made a good start in its preparations for IFRS. Officers have identified the key risk areas for Trafford, undertaken an initial analysis to assess the work required and have agreed a timetable for preparing the 2009/10 accounts restated, as required, on an IFRS basis. Officers recognise the considerable further work required during 2009/10 to meet the IFRS requirements successfully.

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### Treasury Management

- 21** As part of my 2008/09 audit, I completed an Audit Commission return on the Council's Treasury Management arrangements. There were no significant issues identified in my review, and the Council had no investments with Icelandic banks in 2008/09.

# Value for money and use of resources

I considered how well the Authority is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

## Use of resources judgements

- 22** In forming my scored use of resources judgements, I used the methodology set out in the Audit Commission's [use of resources framework](#). I made judgements for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 23** I have also taken into account, where appropriate, findings from previous use of resources assessments, updating these for any changes or improvements, and any other relevant audit work.
- 24** The Authority's finalised use of resources theme scores are shown in Table 2 below. I reported the key findings and conclusions for the three themes in detail to the Authority through its Audit Committee on 30 September 2009. I set out below a summary of these findings.

**Table 2 Use of resources theme scores**

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	2
Managing resources	2

### Managing Finances

- 25** The Authority plans and manages its finances well, keeping both revenue and capital spending within budget again in 2008/09. Trafford has the lowest council tax levels in the North West, and has made efficiency savings of around £4m to £5m in each of the last three years. This is helping the Council to spend more in priority areas such as tackling crime, improving town centres, highways and social care for vulnerable groups. The Council understands its costs. During the year it has improved value for money across its services through a structured Service Improvement Programme.
- 26** The Council consults widely across the borough to help shape spending decisions. It considers the views of the public and has used this to decide spending priorities for 2008/09 and the next few years. Regular budget reports are acted on promptly by staff and there is good scrutiny by Members of the Council's spending. The Council reports its financial and service performance to Members and to the public in a user-friendly way on the Council's website.
- 27** The key actions which the Council needs to take to maintain and improve its performance for the 'managing finances' theme is to put in place the remaining opportunities identified in the Service Improvement Programme, and then move on to implement successfully the new wider corporate Transformation Programme. This will require robust programme management and project management, and Members in turn will need to support and monitor this process.

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### Governing the business

- 28** Trafford considers local neighbourhood needs in deciding how to provide and develop services. It has a clear vision of what it wants to achieve for the people of Trafford. Through good use of benchmarking and indicators, the Council compares its service performance with that of other councils. There are adequate arrangements in place to make sure that data is secure, and that it is accurate and reliable to support decisions.
- 29** Members and officers work together well. The Council has adopted clear processes and procedures to govern working relationships and standards of conduct. These are published on the website and supported by training for Members and staff. Arrangements to manage risks, and to prevent and detect fraud and corruption work well in practice. The Council's Fraud Investigation Team won a national award in 2008 as Fraud Team of the year.
- 30** The key actions which the Authority needs to take to maintain and improve its performance for the 'governing the business' theme are as follows.
- Ensure that the recent changes to procurement arrangements deliver the improvements and efficiencies that are envisaged.
  - Improve arrangements for securing data quality, as planned, and ensure that these are implemented across the whole organisation, and with key partners.
  - Ensure IT disaster recovery arrangements are developed and tested as planned.

- Strengthen the linkages between the Corporate Strategy, the Sustainable Community Strategy and the Local Area Agreement. Ensure that the Council is clear on the contribution it will make to the Sustainable Community Strategy and Local Area Agreement.
- Ensure that all objectives have performance measures and targets associated with them and that these are regularly monitored by Members.
- Ensure that good governance is built consistently into the working arrangements for all the Council's partnerships.

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### Managing resources

- 31** The Authority is committed to becoming more efficient in its use of energy and natural resources. It has reduced carbon emissions from its vehicle fleet by 40%. It also has plans in place to make further cuts in its use of natural resources, both in its own operations and in its work with partnerships. But there is more to do, and the Authority needs to make sure that these plans cover all services and lead to further improved outcomes in practice.
- 32** The Authority makes good use of its land, buildings and other assets. It makes sure that buildings meet health and safety standards, and over 90% comply with disabled access standards. The Authority is modernising its estate to improve facilities for the public and reduce costs. Joint working between Council services and with partners is also helping to increase the range of services the public can access from individual sites.
- 33** The key actions which the Authority needs to take to maintain and improve its performance for the 'managing resources' theme are as follows.
- Further understand its own impact on natural resource use.
  - Continue to put into place initiatives and programmes to reduce its own consumption of natural resources, and influence others to do the same.
  - Ensure that all remaining buildings used by the public comply very soon with the standards for access by disabled people.
- 34** Looking ahead, next year's use of resources judgements will include an assessment of the Council's 'workforce planning'. The Council's People Strategy has identified a number of measures which need to be taken to improve and develop its workforce planning. The Council needs to ensure appropriate progress is being made on these measures because the improvements will be critical in supporting the delivery of the Transformation Programme which is currently being launched.

#### Recommendation

- R1** Monitor and support progress on implementing the actions identified to improve the Council's performance on Use of Resources.

### VFM Conclusion

**35** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. The Audit Commission specifies each year, which of the use of resources Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body. For 2008/09, the relevant KLOE were those set out below.

- Financial planning.
- Understanding costs and achieving efficiencies.
- Financial reporting.
- Commissioning and procurement.
- Data quality and use of information.
- Good governance.
- Risk management and internal control.
- Use of natural resources.
- Strategic asset management.

**36** Following the results of my work in each area, I issued an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Closing remarks

- 37** I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at the Audit Committee on 18 November 2009 and will arrange to provide copies to all Committee members.
- 38** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Authority during the year.

**Table 3** Reports issued during the year

Report	Date issued
Audit plan	June 2008
Progress reports to Audit Committee	Throughout the year
Annual Governance Report	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Use of Resources Report	September 2009
Annual Audit Letter	October 2009

- 39** The Authority has taken a positive and constructive approach to our audit. I wish to thank officers and Members of the Authority for their support and co-operation during the audit.

Mick Waite  
District Auditor  
November 2009

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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