

Annual governance report

Trafford Council

Audit 2010/11

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The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Ladies and Gentlemen

2010/11 Annual Governance Report

I am pleased to present the results of my audit work for 2010/11.

I discussed and agreed a draft of my report with the Director of Finance on 22 September 2011 and updated it as issues have been resolved.

My report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 3 to 10);
- note the adjustments to the financial statements set out in this report (appendix 2) and also appendix 3 (previously unadjusted); and
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (appendix 4).

Yours faithfully

Mick Waite
District Auditor

28 September 2011

Key messages

This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my 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.

Table 1: **Key messages – financial statements**

Financial statements	Results	Page
Unqualified audit opinion	Yes	3
Important weaknesses in internal control	Yes	9

Table 2: **Key messages – value for money**

Value for money		
Proper arrangements to secure value for money	Yes	12

Audit opinion on the financial statements

1 Building on firm foundations from the 2009/10 accounts the Council has prepared the 2010/11 financial statements to a good standard. This is against the backdrop of increased demands arising from first time implementation of International Financial Reporting Standards (IFRS). IFRS has brought additional challenges and issues on interpretation of the standards including the requirement to restate prior years. The finance team has worked well to address these.

2 I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

3 There were a number of adjustments arising from my audit and I have set these out at appendix 2. These were mainly presentational amendments to comply with International Financial Reporting Standards (IFRS). One adjustment made for the receipt of money from a VAT claim in April 2011 affected the overall income and expenditure figures. This resulted in a £1.182 million increase in the surplus for the year. This issue was highlighted in the discussion on the draft accounts and the treatment now agreed.

4 I identified a difference in the 2009/10 comparative figure for total net expenditure in the Comprehensive Income and Expenditure Statement (CIES) and movement in net assets from 1 April 2009 to 31 March 2010. At the time of issuing the draft annual governance report management had not adjusted for this. This has now been adjusted and the details are set out in appendix 3.

Value for money

5 I plan to issue an unqualified value for money conclusion stating the Council had adequate arrangements to secure economy, efficiency and effectiveness. Appendix 1 contains the wording of my draft report

Audit fees

6 I confirm there is no adjustment to the audit fee set out in my fee letter of 23 April 2010. I have not identified any more risks during my work that would warrant a change to the fee. Table 3 sets out the final fee position.

Table 3: **Audit fees 2010/11**

Audit area	Planned fee 2010/11	Actual fee 2010/11
Financial statements, including WGA	£156,600	£156,600
VFM conclusion	£132,510	£132,510
Total audit fee	£289,110	£289,110
Audit Commission rebates*		
■ IFRS implementation	£17,346	£17,346
■ VFM	£10,119	£10,119
Net audit fee payable	£261,645	£261,645
Certification of claims and returns	£43,000	Not yet complete

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

Independence

7 I confirm that I have complied with the Audit Practice Board's ethical standards for auditors, including ES 1 (revised) – Integrity, Objectivity and Independence. I also confirm there were no relationships resulting in a threat to the independence, objectivity and integrity of any member of my audit team.

8 The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

9 I ask the Accounts and Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 3 to 10);
- take note of the adjustments to the financial statements which are set out in this report (appendix 2) and also appendix 3 (previously unadjusted); and
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (appendix 4).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

10 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Key areas of judgement and audit risk

11 I plan and perform the audit to obtain all the information I feel is necessary to give me sufficient evidence and assurance that the Council's financial statements are free from material misstatement. Based on guidance provided by the Audit Commission the materiality level for Trafford Council is £6.9 million.

12 My audit of the financial statements is risk-based. There are many risks inherent within any set of financial statements, but I also consider whether there are any specific risks which I need to take account of in carrying out the audit. Specific risks which I identified for Trafford Council are set out in table 4, with my findings.

Table 4: **Key areas of judgement and audit risk**

Issue or risk	Finding
<p>The Council has to prepare International Financial Reporting Standards (IFRS) compliant financial statements from 2010/11. The financial statements may not properly reflect relevant changes in accounting requirements.</p>	<p>I worked with officers during the closedown period to examine the proposed amendments under IFRS. As part of this work I provided early challenge on some of the figures, including some areas where the statements did not fully comply with IFRS requirements.</p> <p>This early work ensured the Council was reasonably prepared for the full implementation of IFRS.</p> <p>I have summarised my findings from this work in the quality of the financial statements section of this report.</p>
<p>Fixed asset values – the tough economic climate could continue to have a material impact on values. This may result in asset values being misstated.</p>	<p>I have reviewed the Council's valuation of its fixed assets at the year-end. The results from my testing were satisfactory.</p>
<p>Valuation of Manchester Airport shares – held as a material unquoted equity investment in the financial statements.</p> <p>The Code requires a fair value measurement where this can be reliably determined.</p> <p>The risk is the shares are not correctly valued in the financial statements.</p>	<p>I am satisfied the Council has taken appropriate professional advice on the most suitable valuation method for these shares.</p> <p>This concluded that alternative methods of valuation were not reliable and the shares should continue to be valued at original cost.</p> <p>The Council will need to review the appropriateness of this valuation method on a regular basis.</p>

Errors in the financial statements

13 Under auditing standards (ISA 260) I must report all 'non trivial' errors and uncertainties identified by my audit which have not been amended before I issue my opinion. Trivial items are defined as those below 1 per cent of the materiality level. This means that in Trafford's case any errors or adjustments above £69k would be 'non-trivial'.

14 Management have agreed to make a number of adjustments to the accounts. I have set these out at appendix 2. I bring them to your attention to help you in fulfilling your governance responsibilities.

15 The only adjustment that had a net impact on the Comprehensive Income and Expenditure Statement (CIES) was the inclusion of a debtor for the VAT claim settled in April 2011. The overall net impact of this is to increase the surplus on the CIES by £1.182 million and increase Net Assets and Total Reserves in the Balance Sheet by £1.182 million.

16 I also identified some narrative disclosure issues and I have reported these separately at appendix 2.

17 I identified a difference in the 2009/10 comparative figure for total net expenditure in the CIES and movement in net assets from 1 April 2009 to 31 March 2010. At the time of issuing the draft annual governance report management had not adjusted for this. This has now been adjusted and the details are set out in appendix 3.

Recommendation

R1 The Committee should note the adjustments made to the financial statements.

Important weakness in internal control

18 I am required to report to you any important weaknesses in internal control.

19 As part of my work I examine the controls operating within your fundamental financial systems to ensure that these are a sound basis from which to prepare the financial statements.

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

21 I tested a sample of residential and domiciliary care payments as part of my work on the income and expenditure statement. I was satisfied that they were all valid payments which were accurately recorded. This provides assurance that expenditure on residential and domiciliary care within the financial statements is not materially misstated.

22 Management has confirmed that Council officers are now completing regular reconciliations between the softbox system and the general ledger.

Quality of your financial statements

23 As part of my work, I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statement disclosures. Table 5 contains the issues I want to draw to your attention.

Table 5: **Accounting practices, policies and estimates and financial statement disclosures**

Issue	Finding
IFRS restated balance sheets	<p>As required the Council retrospectively restated its balance sheet to take account of the introduction of IFRS. The Balance Sheet included restated comparatives for 1 April 2009 and 31 March 2010.</p> <p>Local Authority Accounting Panel Bulletin (LAAP Bulletin 88), issued by CIPFA to assist with the application of the Code, also requires two years comparatives in the notes.</p> <p>The Council has now expanded some of the supporting notes to the Balance Sheet to show these extra comparatives.</p>
Comprehensive Income and Expenditure Statement (CIES) – material items	<p>International Accounting Standard (IAS 1) requires material items to be presented separately on the face of the CIES where 'such presentation is relevant to an understanding of the entity's financial performance'.</p> <p>As with many other authorities the Council has followed best practice and amended the CIES to show separately the large adjustment caused by basing annual pension increases on Consumer Price Index (CPI) rather than Retail Price Index (RPI)</p>
Notes to the accounts	<p>There were some amendments made to improve the disclosures in the notes to the accounts. These are set out fully in appendix 2 and include notes on:</p> <ul style="list-style-type: none"> ■ accounting policies, updated to provide clarity that they fully and accurately reflect the current policies in place; ■ financial instruments disclosure, was expanded to ensure completeness in line with the code; ■ pensions disclosure, was expanded to include entries for expected and actual return on scheme assets and contributions to be paid after the balance sheet date; and ■ debtors and creditors notes, were expanded and split by type of debt
Foreword	<p>The foreword to the accounts has been updated to ensure it is consistent with the accounts</p>
2009/10 comparative	<p>The 2009/10 total net expenditure figure (in the CIES) was out of balance with the change in net assets from 1 April 2009 to 31 March 2010. The change in net assets was £146,903k and the 2009/10 net expenditure £145,574k, a difference of £1,329k.</p> <p>The Council has now resolved this difference and adjusted it in the final audited accounts. This is noted in appendix 3.</p>

Recommendation

R2 Management should examine the arrangements for the review of the financial statements to make sure the Council meets fully the reporting requirements of the Code of Practice and International Accounting Standards.

Letter of representation

24 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation.

Value for money

I am required to conclude whether the Council put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

25 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. These are:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how it secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

26 I planned a local programme of value for money audit work based on my local audit risk assessment. This included:

- ongoing work to update my overall risk assessment covering areas such as:
 - quality of financial governance and leadership;
 - robustness of risk management arrangements;
 - consideration of the work of Internal Audit;
 - examining costs and service delivery; and
- local risk based work on:
 - assessment of the robustness of medium term financial planning, including delivery of efficiency savings targets and impact on service delivery.

27 I intend to issue an unqualified conclusion stating the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

28 My overall findings on each of the two areas are set out in table 6.

Table 6: Value for money conclusion criterion assessment

Criterion	Finding
<p>The Council has proper arrangements in place for securing financial resilience</p> <p>Focus for 2010/11:</p> <p>Whether the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables operations to continue to work 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 £21.3m 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 £2.2m underspend against its 2010/11 revenue budget. The Council had a general fund balance of £6.9m at 31 March 2011, which is above the minimum level set of £6m.</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>Reported financial data is used effectively in monitoring financial performance.</p>
<p>The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness</p> <p>Focus for 2010/11:</p> <p>Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<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. The amount of planning already completed, the processes in place and the track record of savings achieved to date place the Council in a good position to respond successfully to these challenges.</p>

Appendix 1 Draft independent auditor's report to Members of Trafford Council

Opinion on the Council's accounting statements

I have audited the accounting statements of Trafford Metropolitan Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting 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. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Trafford Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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 Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's 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 accounting statements sufficient to give reasonable assurance that the accounting 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 Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the accounting statements. I read all the information in the foreword by the Director of Finance to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Trafford Metropolitan Borough Council's affairs as at 31 March 2011 and of its income and expenditure 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.

Opinion on other matters

In my opinion, the information given in the foreword by the Director of Finance for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Council's responsibilities

The Council 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.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council 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 me to consider under the Code of Audit Practice in satisfying myself 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 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Trafford Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Trafford Metropolitan Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mick Waite
Officer of the Audit Commission

Aspinall House
Aspinall Close
Middlebrook, Horwich
Bolton, BL6 6QQ

28 September 2011

Appendix 2 Amendments to the draft financial statements

As a result of my audit and in discussion with management the Council made the following adjustments to the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities.

Table 7: **Amendments to financial statements**

Description of amendment made to the financial statements	Comprehensive income and expenditure statement		Balance sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
HMRC VAT claim settled post year-end – an adjusting post balance sheet event				
■ increase short term debtor			1,182	
■ increase general fund balance (ie increases surplus)		1,182		
Capital and Revenue Grants Receipts in Advance – reclassification				
■ reduce non-current liabilities			35,325	
■ increase current liabilities				35,325
Manchester Airport Holding Account – reclassification				
■ reduce earmarked GF useable reserve			5,702	
■ increase unusable reserves				5,702
CIES – separate disclosure material item pension past service gain				
■ non distributed costs (NDC)	62,600			
■ NDC past service gain		62,600		

Note: some amendments also affected comparative figures

Description of changes made to the notes to the financial statements

The Council has made the following amendments to the disclosure notes to the accounts because of my audit, with no further impact on the financial position.

Table 8: **Amendments made to disclosure notes**

Note	Description of amendments made to the financial statements
Note 1 Accounting policies	Some amendments have been made to the disclosures to ensure they provided clarity that they fully and accurately reflect the policies in use
Note 6 Events after the balance sheet date	The Council has now expanded the note to include the value of the sale of land at Chester Road
Note 15 Financial instruments	The Council has amended the note to: <ul style="list-style-type: none">■ include carrying amounts for debtors and creditors and include cash and PFI balances which were originally omitted; and■ add additional disclosures on the maturity analysis of financial assets and liabilities
Note 18 Debtors Note 21 Creditors	The Council has included an analysis by type of debtor and creditor to comply with the Code.
Note 47 Pensions	The Council has amended the note to: <ul style="list-style-type: none">■ include disclosure of the actuarial gain;■ include the basis used to determine overall expected rate of return on assets, including the effect of major categories;■ include actual return on scheme assets; and■ include an estimate of contributions to be paid to the scheme during the annual period after the balance sheet date.

Description of changes made to supplementary statements

The Council has made the following amendments to Collection Fund as a result of my audit, with no further impact on the financial position.

Table 9: **Amendments made to the Collection Fund**

Description of amendment made	Collection Fund	
Amendments arising from agreement of entries to the final non domestic rate (NDR) claim.	Dr £'000	Cr £'000
■ Increase in income from non-domestic rate payers		776
■ Increase in payment to national pool	776	

Appendix 3 Unadjusted misstatements in the financial statements

I identified the following misstatements during my audit, but at the time of issuing the draft annual governance report management had not adjusted the financial statements.

Note: at the Accounts and Audit Committee meeting on 28 September 2011 management had resolved the imbalance as set out in the table below. The Council presented an adjusted final set of accounts at the meeting.

Table 10: Unadjusted misstatement in 2009/10 comparatives

Unadjusted mis-statement (2009/10)	2009/10 Comprehensive income and expenditure statement	2009/10 Balance sheet Net assets movement
	£'000	£'000
Unexplained difference of £1,329k arising between the 2009/10 total comprehensive net expenditure and movement in net assets from 1 April 2009 to 31 March 2010.		
<ul style="list-style-type: none"> ■ CIES net expenditure 2009/10 ■ Movement in net assets <ul style="list-style-type: none"> – £278,569k at 1 April 2009 – £131,666k at 31 March 2010 	<p>145,574</p>	<p>146,903</p>

Appendix 4 Draft letter of representation

Mick Waite
District Auditor
Audit Commission,
Aspinall House,
Aspinall Close
Middlebrook,
Horwich
Bolton
BL6 6QQ

Dear Mick

Trafford Metropolitan Borough Council – Audit for the year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other chief officers of Trafford Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

All relevant information and access to persons within the Council has been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

Internal Control

I have communicated to you all deficiencies in internal control of which I am aware.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error. I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of Trafford Metropolitan Borough Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Specific representations

Valuation of shares in Manchester Airport

I confirm that following the receipt of appropriate professional advice on the method of valuation of the Council's shares in Manchester International Airport, my view is that the shares should be recorded in the Council's financial statement at historical cost, as alternative valuations have proven to be unreliable.

Signed on behalf of Trafford Metropolitan Borough Council

I confirm that this letter has been discussed and agreed by the Accounts and Audit Committee on 28 September 2011.

Signed

Ian Duncan, CPFA

Director of Finance

28 September 2011

Appendix 5 Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

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.

Materiality (and significance)

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

'Significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

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.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

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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