

AGENDA FOR

AUDIT COMMITTEE

Contact: Andrea Tomlinson
Direct Line: 0161 253 5133
E-mail: a.j.tomlinson@bury.gov.uk
Web Site: www.bury.gov.uk

To: All Members of Audit Committee

Councillors : M Bailey, P Bury, E Fitzgerald (Chair),
P Heneghan, J Mallon, S Nuttall, N Parnell, K Rothwell,
R Walker and M Whitby

Dear Member/Colleague

Audit Committee

You are invited to attend a meeting of the Audit Committee which will be held as follows:-

Date:	Thursday, 4 September 2014
Place:	Meeting Room A & B, Town Hall, Knowsley Street, Bury
Time:	7.00 pm
Briefing Facilities:	If Opposition Members and Co-opted Members require briefing on any particular item on the Agenda, the appropriate Director/Senior Officer originating the related report should be contacted.
Notes:	

AGENDA

1 APOLOGIES FOR ABSENCE

2 DECLARATIONS OF INTEREST

Members of the Audit Committee are asked to consider whether they have an interest in any of the matters on the agenda and, if so, to formally declare that interest.

3 MINUTES OF THE LAST MEETING *(Pages 1 - 8)*

4 PUBLIC QUESTION TIME

Questions are invited from any members of the public present at the meeting on any matters for which this Committee is responsible.

5 FINANCIAL MONITORING REPORT - APRIL 2014 TO JUNE 2014 *(Pages 9 - 14)*

Report from the Assistant Director of Resources (Finance and Efficiency).

6 QUARTERLY GOVERNANCE STATEMENT *(Pages 15 - 24)*

A report from the Head of Financial Management is attached.

7 GIFTS AND HOSPITALITY *(Pages 25 - 28)*

Report from the Assistant Director of Resources (Finance and Efficiency)

8 EXTERNAL AUDIT PROGRESS REPORT *(Pages 29 - 32)*

A report from Bury's external auditors, KPMG is attached.

9 EXCLUSION OF PRESS AND PUBLIC

To consider passing the appropriate resolution under Section 100(A)(4) of the Local Government Act 1972 that the press and public be excluded from the meeting during consideration of the following items of business since they involve the likely disclosure of the exempt information stated.

10 INTERNAL AUDIT PROGRESS REPORT *(Pages 33 - 44)*

A report from the Head of Financial Management is attached.
Appendix A attached
Appendix B attached
Appendix C attached
Appendix D attached

11 INTERNAL AUDIT - MEMBERS' FEEDBACK *(Pages 45 - 48)*

Report from the Head of Financial Management is attached

Minutes of: AUDIT COMMITTEE

Date of Meeting: 15 July 2014

Present: Councillor E Fitzgerald (in the Chair)
Councillors M Bailey, P Bury, P Heneghan, Mallon,
S Nuttall, N Parnell, K Rothwell and R Walker

Also in attendance: Jillian Burrows - KPMG
Trevor Rees – KPMG

Public Attendance: No members of the public were present at the meeting.

Apologies for Absence: Councillor Whitby

AU.122 DECLARATIONS OF INTEREST

There were no declarations of interest made at the meeting.

AU.123 MINUTES OF THE LAST MEETING

Delegated decision:

That the Minutes of the last meeting of the Audit Committee held on 3 March 2014 be approved as a correct record and signed by the Chair.

AU.124 PUBLIC QUESTION TIME

There were no members of the public present to ask questions under this item.

AU.125 AUDITED STATEMENT OF ACCOUNTS 2013/2014

The Assistant Director of Resources (Finance and Efficiency) presented a report providing Members with details of the Authority's audited Statement of Accounts for the financial year ended 31 March 2014.

The pre-audited Statement of Accounts had been approved by the Responsible Finance Officer on 5 June 2014. The accounts had since been audited and Members of the Audit Committee noted that:-

- Only one audit adjustment had been identified that was presentational and did not have an impact on the Council's revenue, capital or HRA outturn for 2013/2014;

Document Pack Page 2

Audit Committee, 15 July 2014

- Two other audit adjustments had been identified that do not require correcting due to the immaterial impact on the accounts;
- Six recommendations had been made. The auditors had classed two as high priority, one as medium and three as low. Actions were being taken to address these;
- The quality of the Council's accounts and working papers have remained at a high level;
- For the first year the Council has presented its audited accounts to Members 2 ½ months earlier than the statutory deadline and KPMG are to be thanked for their part in achieving this;
- A notice will be placed advertising the completion of the audit and how member of the public may access copies of the statement and the summary of accounts.

Those present were given the opportunity to make comments and ask questions and the following points were raised:-

- Councillor Heneghan referred to the changes in the way that business rates are collected and distributed and asked whether the Council was better or worse off than previous years.

Steve explained that the Council had received a top up payment that had brought the level of income back up to where it had been in previous years. He also explained that the new way of collecting and distributing meant that the risk had been transferred to the Council should local businesses fail and business rates not be available. Likewise the Council now has to fund 50% of the impact of appeals.

- Council Mallon referred to the significant recommendation in relation to classification of assets under construction and asked at what point did as asset under construction become operational.

Trevor Rees explained that this was still a grey area but for audit purposes it would usually be when the building became habitable.

Steve explained that the Council was working to produce a policy to cover these sorts of situations and that they would be working to agree this with KPMG for future audits.

- Councillor Parnell asked about the Housing Revenue Account and whether surplus monies collected were ring-fenced to the housing stock and, if so what was this was used for.

Steve explained that the HRA was a ring-fenced account and that any surplus monies could only be spent in respect of Council Housing. A Housing Strategy had been approved by the Council in February which identified additional investment to bring stock up to the "Bury Standard" (ie 100% decency).

- Councillor Heneghan referred to the revenue support grant reducing and asked whether this raised the emphasis on council tax.

Steve explained that the balance of funding was shifting; away from Grant, and towards Local Taxation.

- Councillor Parnell referred to the changes to Council Tax support.

Steve explained the changes that had been introduced and the reduced level of funding available. It was explained that additional tax had been raised through second and empty homes to compensate for this.

- A question was asked around the amount of debt compared to the previous year and the fact that this figure had risen.

Steve explained that at the end of 2013 the Council had repaid £7.5m worth of loans, and these were not replaced until later in 2014. The cost of servicing the new loans was also less than the repaid ones.

- Councillor Walker referred to specific figures within the Income & Expenditure Statement for Adult Care Services income, and queried why this had reduced.

Further analysis to be provided after the meeting.

- Councillor Walker also asked about the funding that had been transferred to the Council when the Public Health responsibility had transferred and asked whether this was working well.

Steve explained that there was £8m transferred with the Public Health responsibility of which around £1m would be staffing, the rest was tied up with other contracts and services. These would have been NHS contracts which the Council were now going through systematically as they came up for renewal.

- Councillor Mallon referred to the balance sheet and the figures presented in relation to Townside Fields and asked why there was a drop in this figure.

Steve explained that one of the two buildings owned by the Council had been sold and the Council had retained the other.

- Councillor Heneghan referred to property and land owned by the Council and asked where happened to a school's land and buildings when it became an academy.

It was explained that the asset would still belong to the Council and would be rented back to the school for a peppercorn rent.

- Councillor Walker asked about the calculation that was used when working out depreciation and how some assets had between 8 and 68 years recorded.

It was explained that the assets were broken down into different components, some would last longer than others, so a boiler may have 15 years and windows 25 years.

- Councillor Mallon asked about the Council owned artworks and whether the Council loaned out its artworks and if so how were they insured when this happened.

Steve explained that a lot of the Council owned art was loaned and when it was under a loan agreement it was up to the organisation borrowing it to ensure that it was kept in the correct conditions and insured satisfactorily.

Delegated decision:

1. That the one presentational amendment to the Accounts recommended by KPMG be approved.
2. That the final version of the Statement of Accounts for the 2013/2014 financial year be approved in line with the provisions of the Accounts and Audit Regulations (England) 2011.
3. That the matters and issues arising from the audit and contained within the ISA (UK+I) 260 Financial Statement Report presented by KPMG be noted.
4. That the letter of representation signed by the Assistant Director of Resources (Finance and Efficiency) which was presented at the meeting be approved.
5. That KPMG be thanked for their support and advice during the audit process.

AU.126 ISA 260 2013-14

Jillian Burrows and Trevor Rees, representing KPMG, the Council's External Auditors, presented a report summarising the key findings from their work

in relation to the financial statements for the year ending 31 March 2014 and their assessment of the Authority's arrangements to secure Value for Money in its use of resources.

It was explained that KPMG had substantially completed their work on the 2013/2014 financial statements and it was anticipated that an unqualified audit opinion would be issued by the 31 July 2014.

The Assistant Director of Resources (Finance and Efficiency) presented the Letter of Representation which had been signed by him and the Chair of the Audit Committee, Councillor Elizabeth FitzGerald to KPMG which was required before the audit opinion could be issued.

Delegated decision:

1. That the findings of the report be accepted.

AU.127 ANNUAL GOVERNANCE STATEMENT

The Head of Financial Management, Andrew Baldwin, presented a report introducing the Annual Governance Statement.

It was explained that under the Accounts and Audit (England) Regulations 2011, the Council is required to produce an Annual Governance Statement which is one of the documents that supports the annual Statement of Accounts.

The Annual Governance Statement provides an assurance that the Governance Framework is operating effectively and reports any significant issues arising during the year. The Governance Framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community.

It was explained that it was a legal requirement for every Council to produce an annual statement; Bury produced a quarterly report in line with best practice.

Members of the Committee were given the opportunity to ask questions and make comments and the following points were raised:-

- Councillor Walker referred to the table showing that Bury Adult Care Services spend per head was in the top 10% and asked if this statistic could be shown differently to allow for more understanding as to why this was.
- Councillor Bailey referred to the number of Council employees taking early retirement or severance and asked if there was a risk to the organisational capacity.

Steve explained the way in which each case was decided and the fact that a robust business case had to be provided to support every application made.

- Councillor FitzGerald referred to the information provided within the report and asked that this be presented to the Committee in a different way and with more demographical information so that it was easier to see exactly how the Council was performing.

This is to be worked up for the December meeting.

- The Committee asked that information be provided specifically in relation to the ACS spend per head statistic and the background to this statistic.

This will be reported back at the September meeting.

Delegated decision:

1. That the Annual Governance Statement 2013/2014 be accepted.
2. That future reports contain more in-depth information and statistics in the areas that have been highlighted by the Committee.

AU.128 RISK MANAGEMENT ANNUAL REPORT 2013/2014

Steve Kenyon presented a report providing Members with details of risk management activity that had taken place over the previous 12 months.

The report outlined the risk management policies and practices in place and highlighted the key issues that would be addressed during the coming financial year.

The report explained how risk management was implemented across the Council and within each of the directorates.

It was explained that Risk Assessment Action Plan Registers (RAAP's) were used across departments to record identified risks and opportunities and the actions being taken. The Council's risk management framework was outlined within the report and each of the department's progress against the risks was set out.

It was explained that as well as the department RAAP's there was the also Corporate RAAP which records the council's most significant risks. The Corporate RAAP is reviewed continually by the Management Board.

Member input was sought via the Corporate Risk Management Group and quarterly reports to the Audit Committee.

Delegated Decision:

1. That the Audit Committee re-affirms its support for the Council's approach to Risk Management.
2. That the progress made throughout 2013/2014 and the actions planned for 2014/2015 be noted.

AU.129 INTERNAL AUDIT ANNUAL REPORT

The Head of Financial Management, Andrew Baldwin, presented a report summarising the work undertaken by the Internal Audit Section during the 2013/2014 financial year. The report contained an Audit Opinion which assessed the authority control framework as "robust" and updated the Members on some of the issues facing the Internal Audit Service.

Appended to the report was a Review of the Effectiveness of Internal Audit and the Annual Report and Opinion for 2013/2014

Delegated decision:

1. That the contents of the report be accepted
2. That the suitability of the report be endorsed in support of the Governance Statement for 2013/2014.

AU.130 EXCLUSION OF PRESS AND PUBLIC**Delegated decision:**

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items of business since they involved the likely disclosure of exempt information, relating to any action taken, or to be taken in connection with the prevention, investigation and prosecution of crime.

AU.131 REPORT ON THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2013/2014

Andrew Baldwin, Head of Financial Management, submitted a report summarising the work carried out by the Audit Committee over the 2013/2014 Municipal Year which showed the effectiveness of the Committee. Included in the report was a self-assessment checklist which demonstrated that CIPFA guidance had been complied with.

Document Pack Page 8

Audit Committee, 15 July 2014

The future meetings of the Audit Committee were set out within the report and the proposed items to be considered at those meetings was also set out.

It was anticipated that the training sessions at the beginning of each meeting would include:-

- Departmental Review of Contracts;
- How Value for Money is reported, and;
- Heritage Assets

Members were asked to consider any other topics that they would like the Audit Committee to consider.

Delegated decision:

That the report be accepted.

COUNCILLOR E FITZGERALD
Chair

(Note: The meeting started at 7.00 pm and ended at 9.50 pm)



REPORT FOR INFORMATION



Bury
COUNCIL



Item

5

MEETING: **AUDIT COMMITTEE**

DATE: **3rd SEPTEMBER 2014**

SUBJECT: **FINANCIAL MONITORING REPORT – APRIL 2014 TO JUNE 2014**

REPORT FROM: **ASSISTANT DIRECTOR OF RESOURCES & REGULATION**

CONTACT OFFICER: **S Kenyon**

TYPE OF DECISION: **NON-KEY DECISION**

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

SUMMARY: To up-date the Committee on the authority's financial position in line with the Committee's Statement of Purpose to '*provide....independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment*'.

The report shows that the authority is projecting an overspending of **£1.710m** for the year based on spending and income information as at 30th June 2014.

OPTIONS & RECOMMENDED OPTION The Committee is asked to note the contents of the report.

IMPLICATIONS:

Corporate Aims/Policy Framework: Do the proposals accord with Policy Framework? Yes.

Comments of s151 Officer: Budget monitoring falls within the appropriate statutory duties and powers and is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates. The report has been

prepared in accordance with all relevant Codes of Practice.

There may be risks arising from any changes to service levels or service patterns that result from any remedial action taken to address the budget position. These will be identified by Directors when savings plans are considered by Members at the quarterly Star Chamber meetings.

Comments of Executive Director of Resources & Regulation:

The successful management of the Council's financial resources is central to the Council's Financial Strategy. Successful budget monitoring provides early warning of potential major overspends or underspendings against budget of which Members need to be aware.

This report draws Members attention to the fact that, based on the most prudent of forecasts, several budget hotspots exist which will need remedial action in the coming weeks and months. Members and officers will be examining these areas in more detail at the Star Chambers together with proposals for actions to be undertaken in the current year.

Equality/Diversity implications:

No

Considered by Monitoring Officer:

Budget monitoring falls within the appropriate statutory duties and powers and is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates. The report has been prepared in accordance with all relevant Codes of Practice.

Are there any legal implications?

Yes

Staffing/ICT/Property:

There may be staffing implications arising from the need to address budget pressures.

Wards Affected:

All

Scrutiny Interest:

Overview & Scrutiny Committee

Chief Executive/ Senior Leadership Team	Cabinet	Overview & Scrutiny	Council	Ward Members	Partners
18/8/14	3/9/14	7/10/14			

1.0 INTRODUCTION

- 1.1 This report is intended to allow the Committee to keep abreast of the authority’s financial position and to gauge the effectiveness of corrective action that has been determined by the Cabinet and/or Scrutiny Committee.
- 1.2 This report summarises the forecast financial position as at the end of June 2014.

2.0 MONITORING PROCESSES

- 2.1 The Authority’s financial position is continually monitored throughout the year as follows;

Monthly - reports are considered by service management teams and summaries made available to specific Cabinet Members. A monthly summary of the financial position is submitted to the Senior Leadership Team and to the Cabinet Member for Resource.

Quarterly – detailed corporate monitoring reports based on the position at June, September, December and March are considered by the Senior Leadership Team, the Cabinet, Star Chambers and Overview & Scrutiny Committee. These set out a risk assessed summary of the financial position, explanations of major variances from budget, an assessment of the minimum level of balances, information on the forecast balances position and an assessment of performance against the objectives of the Financial Strategy (including the Golden Rules).

- 2.2 Members are also advised that **monthly** Star Chamber meetings take place to deal with particular areas where financial pressures have been identified.

3.0 FINANCIAL POSITION

- 3.1 The authority’s overall financial position based on forecasts made using income and expenditure information as at 30th June 2014 is summarised in the table in paragraph 3.3. As Members will be aware, financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures. Often an area of overspending identified at this point in the year will resolve itself before the end of the year following appropriate budget management action.
- 3.2 However it is felt that it is most appropriate to alert Members to potential problems at this stage so that they can monitor the situation and take ownership of the necessary remedial action and this is the basis on which the report is written.

3.3 In summary the outturn forecast based on the position at 30th June 2014:

Department	Budget £'000	Forecast £'000	Variance £'000
Communities & Wellbeing	69,018	69,580	+562
Resources & Regulation	4,554	5,898	+1,344
Children, Young People & Culture	33,992	34,533	+541
DCN Residual	215	(170)	(385)
Non Service Specific	35,875	35,523	(352)
TOTAL	143,654	145,364	+1,710

3.4 The projected overspend of £1.710m represents approximately 1.19% of the total net budget of £143.654m.

3.5 Members are particularly reminded that the position on volatile budgets such as Learning Disability and Children’s Agency placements can change dramatically depending on service user numbers and case structures. Likewise, the prevailing economic climate continues to impact upon levels of income, e.g. Property Services, Planning, Car Parking.

Commitment Accounting

3.6 Further analysis of the month 3 figures highlights;

Status	£'000	%
Spent @ 30/6/14	35,876	24.68
Committed @ 30/6/14	25,930	17.84
Forecast (1/7/14 – 31/3/15)	83,558	57.48
Total	145,364	100.00

3.7 Spend and Commitment are clearly factual, however “forecast” is based upon an assessment of a wide range of factors and risks.

Balance Sheet Monitoring

3.8 Previous reports have focussed on the Council’s “in year” revenue budget position. The Chair has requested that additional Balance Sheet / Treasury Management information should be included to assist Members’ wider understanding.

3.9 The following key indicators have been extracted as at Month 3;

Indicator	Position at 1/4/14	Position at 30/6/14
Treasury Performance		
Total Sums Invested	£44.3m	£66.5m
% Return on Investments	0.78%	0.67%*
Total Sums Borrowed	£209.9m	£217.9m
% Cost of Borrowing	3.96%	3.96%

Assets		
Stocks & Work in Progress	£1.291m	£0.379m
Long Term Debtors	£0.151m	£0.214m
Sundry Debtors	£36.341m	£12.951m
Cash	£25.335m	£21.968m
Liabilities		
Sundry Creditors	£28.970m	£16.905m
Provisions	£2.706m	£0.203m

Note - compares to sector benchmark of 0.50%*

- 3.10 It should be noted that these figures represent a “snapshot” of the Council’s Balance Sheet at a given point in time, and are by no means indicative of the Council’s overall financial position.
- 3.11 From a monitoring perspective however they provide useful information, and trends can be plotted as the exercise is repeated in future quarters.

Minimum Level of Balances

- 3.12 The actual position on the General Fund balance is shown below:

	£m
General Fund Balance 1st April 2014 per Accounts	11.580
Less : Minimum balances to be retained in 2014/15	-4.500
Less : Forecast overspend	-1.710
Less : Earmarked to Fund Equal Pay Settlements	-1.500
Forecast available balances at 31st March 2015	3.870

- 3.13 Based on the information contained in this report, on the risk assessments that have been made, on the forecast outturn position for 2014/15 and using the latest available information on the likely achievement of savings options it is clear that there is no reason to take the minimum balances above the existing level of £4.5m.
- 3.14 Additionally, in view of the fact that the minimum level of balances figure includes a provision of £1.5m relating to a cushion for ‘Unpredictable and Demand led Expenditure’ then it is clear that the authority’s forecast overall financial position does not present an unacceptable risk at this point.

S. Kenyon
Assistant Director of Resources & Regulation

Background documents:

Further information available from the Assistant Director of Resources & Regulation;
 Mr S Kenyon,
 Tel. 0161 253 6922,
 Email: S.Kenyon@bury.gov.uk

This page is intentionally left blank

REPORT FOR DECISION

MEETING: **AUDIT COMMITTEE**

DATE: **4 SEPTEMBER 2014**

SUBJECT: **QUARTERLY GOVERNANCE STATEMENT - APRIL to JUNE 2014**

REPORT FROM: **HEAD OF FINANCIAL MANAGEMENT**

CONTACT OFFICER: **ANDREW BALDWIN**

TYPE OF DECISION: **NON-KEY DECISION**

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain.

SUMMARY: This report presents Members with a quarterly update on the Annual Governance Statement. The 2013/14 Annual Governance Statement was approved by Audit Committee on 15 July 2014.

OPTIONS & RECOMMENDED OPTION The Committee is asked to note the contents of the report.

Members are requested to consider the revised corporate risks at Appendix A.

IMPLICATIONS:

Corporate Aims/Policy Framework: Do the proposals accord with Policy Framework? Yes.

Financial Implications and Risk Considerations: The Annual Governance Statement is a fundamental document for recording, monitoring and communicating the effectiveness of the internal control framework within the Council.

Statement by Assistant Director of Resources & Regulation (Finance & Efficiency): Failure to maintain an internal control and governance framework jeopardises the Council's ability to deliver economy, efficiency and effectiveness in the delivery of its priorities and ambitions.

- Equality/Diversity implications:** No
- Considered by Monitoring Officer:** Yes - Through the Governance Panel; the Monitoring Officer has raised no issues that require inclusion in the Quarterly Governance Statement.
- Are there any legal implications?** No
- Staffing/ICT/Property:** No
- Wards Affected:** All
- Scrutiny Interest:** No

TRACKING/PROCESS

DIRECTOR: STEVE KENYON

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
Scrutiny	Cabinet	Committee	Council
		Audit 04/09/14	

1.0 Purpose of the Annual Governance Statement

- 1.1 The purpose of the Annual Governance Statement is to provide a continuous review of the effectiveness of an organisation’s internal control and risk management system in order to give an assurance as to their effectiveness.
- 1.2 It is a mandatory requirement to produce a Governance Statement to accompany the Authority’s Statement of Accounts – as presented on 15 July 2014.
- 1.3 It is accepted good practice to continuously review the internal control framework and make interim reports to those charged with governance – the Audit Committee.
- 1.4 The Council has adopted this practice since 2008 and refers reports to the Audit Committee on a quarterly basis.

2.0 Matters for consideration

- 2.1 Members are asked to:
- Note the report

3.0 Quarterly Update

3.1 Risk Management

- 3.1.1 Risk registers are held at both Corporate and Departmental level.
- 3.1.2 The registers are web-based to allow “real time” update as and when circumstances require.
- 3.1.3 An officer-level risk management group meets quarterly to discuss operational matters. Following the recent move from 4 departments to 3 group membership has been reviewed and meetings are being re-scheduled to coincide with the quarterly meetings of the Corporate Risk Management Group.
- 3.1.4 Similarly, a Member-level Corporate Risk Management Group sits quarterly to review registers and action plans. The group last met on 16th April 2014. Members contributed to the update of the Corporate Risk Register in August 2014, and the Group next meets formally on 15th October 2014.
- 3.1.5 The Risk Management Annual Report has been presented to this Committee (15 July 2014), the Cabinet (16 July 2014) and will be presented to Council on 10 September 2014.
- 3.1.6 The Corporate Risk Register for the period April to June has been updated to reflect the latest high level risks facing the organisation; see Appendix A attached.

3.2 Business Continuity

- 3.2.1 The Authority has ranked key services in terms of required recovery times, and business continuity plans continue to be developed.
- 3.2.2 A database has now been developed to host these plans, and ensure appropriate arrangements are in place where services are inter-dependant. All the 246 service plans have now been uploaded and the focus now is on improving the information held within the database.
- 3.2.3 In light of the recent moves from 4 departments to 3 with effect from April 2014 the priority is also on ensuring all new departmental structures and service Business Continuity Plans are up to date on the Business Continuity Planning Database.

3.3 Budget Monitoring

- 3.3.1 Budget monitoring is undertaken on a monthly basis and quarterly reports are produced for Members.
- 3.3.2 The quarter 1 report (i.e. April to June) is a critical report as it forms the baseline for the commencement of the budget setting process.
- 3.3.3 As such, it is critical that forecasts are accurate, evidence based and have been through a rigorous quality assurance process.
- 3.3.4 The Quarter 1 report will go to Cabinet on 3 September and Overview & Scrutiny Committee on 7 October and will be reported in summary elsewhere on the agenda.

3.4 Work of Internal Audit

3.4.1 The Internal Audit Section operates according to a risk based Audit Plan.

3.4.2 During the period April to June 2014, the section has examined the following fundamental financial systems;

- Main Accounting system;
- Council tax;
- Creditors;
- NNDR (Business Rates);
- Housing Rent;
- Cash and banking

3.4.3 The Internal Audit section produces reports which rank recommendations according to urgency / priority. The reports completed during the first quarter produced a total of 36 recommendations. To date, none of these recommendations have been ranked RED – which would warrant specific inclusion in the Governance Statement.

3.5 Work of Governance Panel

3.5.1 The Governance Panel has now met regularly since its inception in November 2008, and continues to be a valuable arena to exchange information / concerns regarding the Council's governance arrangements.

3.5.2 The Panel comprises:

- Executive Director of Resources & Regulation;
- Assistant Director of Legal & Democratic Services (Monitoring Officer)
- Assistant Director of Resources & Regulation (Finance & Efficiency) (s151 Officer);
- Head of Financial Management

3.5.3 The Panel last met on 17 April 2014; no concerns were raised which required specific reference in this update. The next meeting is scheduled for 9 September.

3.6 Gifts & Hospitality

3.6.1 A web-based system operates for members and officers to report offers of gifts and hospitality, and any interests which may conflict with their role.

3.6.2 A full update of declarations for the period ended 30th June 2014 is reported elsewhere on this agenda.

3.7 Sickness Update

3.7.1 The Audit Committee has shown considerable interest in sickness absence, requesting absence data and action plan updates from Executive Directors.

3.7.2 The following table contains the sickness absence figures per full time equivalent (FTE) for the Council and the individual four Directorates over the last four financial years plus the first quarter of 2014/15 results from this current financial year. Whilst the Council reduced from 4 departments to 3

Document Pack Page 19

in April 2014, the sickness monitoring system is currently in the process of being reconfigured to reflect these changes. As such the sickness figures provided are for the time still based on the previous four departments.

Division	2010/11 Full Year	2011/12 Full Year	2012/13 Full Year	2013/14 Full Year	2014/15 Q1
Adult Care Services	18.5	16.8	15.1	13.6	14.8
Chief Executives	5.9	6.6	6.3	6.8	6.9
Children's Services	8.5	8.2	8.3	8.9	8.9
Communities & Neighbourhoods	10.5	8.6	9.6	10.8	11.9
Total FTE days lost	10.2	9.4	9.4	9.8	10.2

Note – the quarterly figures are calculated on a rolling 12 month basis and do not reflect the quarter in isolation. Therefore, the Q1 period for 2014/15 relates to the full year period of 1/7/13 to 30/6/14.

- 3.7.3 To put some context to the figures in terms of the size of the departments – currently Children's Services employ 3,470 FTE (60% of Council staff) with Communities & Neighbourhoods employing 1,175 FTE (21%), Adult Care Services 767 FTE (13%) and Chief Executive's the remaining 348 FTE (6%).
- 3.7.4 The conclusions that we can draw from the table is that over the whole Council the sickness levels have remained constant at 9.4 / 9.8 days lost per FTE for the last three years. Q1 2014/15 has, however, shown a slight increase of 0.4FTE days to 10.2 days lost compared with 2013/14.
- 3.7.5 Going forward, sickness absence figures will continue to be reported to the Audit Committee in future quarterly updates.

4.0 Conclusion

- 4.1 This report provides an assurance, and presents evidence, that the Council reviews its internal control / governance mechanisms on a continuous basis.
- 4.2 There have been no significant internal control issues during the period covered by this report.
- 4.3 The control environment will continue to be monitored throughout the year, and Audit Committee will continue to receive updates on a quarterly basis.

Andrew Baldwin
Head of Financial Management

Background documents:

Risk Registers

Document Pack Page 20

Internal Audit Reports

Gifts & Hospitality Register

Minutes of Governance Panel

For further information on the details of this report, please contact:

Mr A Baldwin, Head of Financial Management

Tel. 0161 253 5034

Email: a.baldwin@bury.gov.uk

Corporate Risk Register – Review April – June 2014

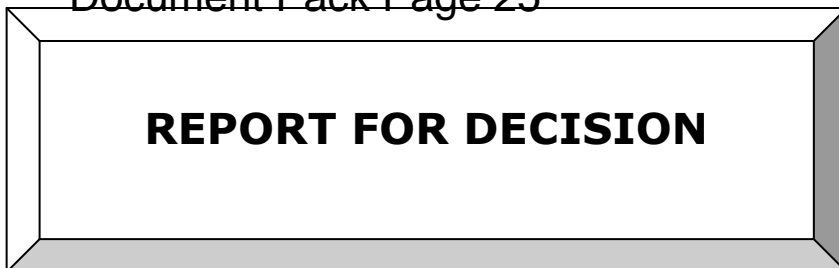
Appendix A

Ref	Risk that.....	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status Jan – Mar 14	Measures
01	The <u>potential</u> liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position	Mike Owen / Guy Berry	1	1				1	Risk further reduced as most cases have now been settled. To remain on register till exercise complete.
02	There is no robust financial strategy or change management strategy to address effectively the significant funding reductions that the Council faces.	Steve Kenyon	3	3				9	Draft allocations for 2015/16 have been reiterated as part of a DCLG consultation exercise; however final figures are unlikely to be available until December 2014. 2015/16 budget options are currently being developed jointly by Cabinet and SLT. There is no funding data available beyond 2015/16 at this stage.
03	The budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes	Mike Owen/Steve Kenyon	3	2				6	Income pressures were largely addressed in 2013/14 budget. Demand pressures remain a risk and will continue to be monitored / managed through Star Chamber process. 2013/14 Outturn showed a £406k underspend.

Ref	Risk that.....	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
04	The budget strategy does not reflect, or respond to, national policy developments, e.g. Council Tax Support scheme and changes to the Business Rates regime	Mike Owen/Steve Kenyon	4	2				8	Risk reduced as new arrangements have been in place now for 12 months. However, risk remains high given volatility, and influence from factors which are beyond the control of the Council (e.g. appeals).
05	The Council's asset base is not operated to its maximum effect to deliver efficiency savings and ensure priorities are fulfilled. Ineffective use of assets presents both a financial and a performance risk.	Mike Owen	2	1				2	Asset Management Plan now in place; office accommodation moves took place Summer 2013 and further moves are taking place to reflect the new Departmental Structure.
08	The Council fails to manage the expectations of residents, service users & other stakeholders in light of funding reductions	Mike Owen	3	2				6	Widespread consultation took place re: Budget / Plan for Change. Early release of some 2015/16 budget options to allow for consultation and ensure April 2015 implementation.
09	The Government's changes to Council Tax Benefit impact adversely upon the Public / Vulnerable People. Also budgetary risk to the Council in the event of claimant numbers rise	Mike Owen	3	3				9	Impact on residents being managed through Welfare Reform Board. Budgetary impact continues to be assessed through monthly monitoring / Star Chamber process.
10	Changes resulting from the wider Welfare reform agenda impact adversely upon the public / vulnerable people.	Mike Owen	3	3				9	Welfare Reform Board coordinating action plan with partner organizations (e.g. Six Town, CAB).

									Whilst impact on individuals can have significant implications, this is being mitigated where possible.
11	That the scale and pace of Public Sector reform impacts adversely upon key Council Services, compounded by the loss of capacity following staff leaving the Council (420+ since 2010)	Mike Kelly	4	2				8	Workforce Development Plan now in place to ensure continuity / succession planning. Risk will be closely monitored as the Council-wide restructure takes effect.

This page is intentionally left blank



MEETING: AUDIT COMMITTEE

DATE: 4th SEPTEMBER 2014

SUBJECT: GIFTS & HOSPITALITY

REPORT FROM: ASSISTANT DIRECTOR OF RESOURCES & REGULATION

CONTACT OFFICER: S. Kenyon (Assistant Director of Resources & Regulation)

TYPE OF DECISION: NON-KEY DECISION

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

SUMMARY: This report presents Members with an update on the system to declare, monitor & report gifts and hospitality offered to / received by staff and Members.

OPTIONS & RECOMMENDED OPTION The Committee is asked to note the contents of the report.

IMPLICATIONS:

Corporate Aims/Policy Framework:	Do the proposals accord with Policy Framework? Yes.
Statement by s151 Officer:	An effective process to record, monitor, and report offers of gifts and hospitality serves to protect both staff and the Authority against allegations of improper conduct.
Statement by Executive Director of Resources:	A robust mechanism to control offers of gifts and hospitality is a fundamental aspect of the Council's corporate governance / ethical framework
Equality/Diversity implications:	No
Considered by Monitoring Officer:	Yes

Are there any legal implications? No

Staffing/ICT/Property: No

Wards Affected: No

Scrutiny Interest: Scrutiny may wish to examine registers of Gifts & Hospitality received

TRACKING/PROCESS

EXECUTIVE DIRECTOR: Mike Owen

Chief Executive/ SLT	Cabinet Member/Chair	Ward Members	Partners
Scrutiny Committee	Cabinet	Committee	Council
		Audit 3/9/14	

1. **INTRODUCTION**

- 1.1 A robust mechanism to control offers of gifts and hospitality is a fundamental aspect of the Council’s corporate governance / ethical framework.
- 1.2 The Council’s Local Code of Corporate Governance reinforces this through the core principle of “Promoting the values of the authority and demonstrating the values of good governance through behaviour”.
- 1.3 This report summarises declarations made for the period **March to June 2014**.

2. **PROGRESS TO DATE**

- 2.1 Comprehensive guidance relating to gifts and hospitality is included within the “Employee’s Code of Conduct”; issued to every member of staff and available on the intranet.
- 2.2 A “web based” mechanism for Members to record declarations has been developed jointly by Internal Audit and the Corporate HR Division.
- 2.3 The system allows officers and members to record potential “conflicts of interest”, for example where a member of staff may be related to contractors working for the Council.
- 2.4 A separate mechanism applies for teachers; registers are maintained at school buildings, reported to Boards of Governors, and examined by Internal Audit.
- 2.5 Analysis of registers completed for the period reveals the following;

Department	Number of Declarations	Lowest Value (£)	Highest Value (£)	Average Value (£)
DCN	3	3	10	6
Childrens Services	0	0	0	0
Adult Care Services	2	5	900*	453
Chief Executives	3	2	30	21
Members	0	0	0	0
Conflicts of Interest	1	n/a	n/a	n/a
Total	9	2	900	123

**Provision of work related training by Partner Organisation to a number of staff*

3. ISSUES

- 3.1 Whilst the use of a web based register is efficient, managers must ensure a procedure is in place for staff without access to intranet.

4. RISKS

- 4.1 The system only picks up declarations made by staff; clearly it is the items which are not being declared that are potentially inappropriate.
- 4.2 The overall internal control framework, the anti-fraud strategy, the Council's Whistleblowing Policy, and the work of Internal Audit all offer additional assurance in this respect.

5. FUTURE ACTIONS

- 5.1 Departmental managers are responsible for the operation of the register in their area, however compliance with the declaration process will be continually monitored by the Internal Audit Section.

6. RECOMMENDATIONS

- 6.1 Members are requested to;
- (a) affirm their support for the importance of registering gifts and hospitality
 - (b) endorse the current approach for declaring offers of gifts / hospitality
 - (c) note the declarations made to date.

Steve Kenyon
Assistant Director of Resources (Finance & Efficiency)

Background documents:

Registers available for inspection if requested.

For further information on the details of this report, please contact:

Mr S Kenyon, Assistant Director of Resources & Regulation
Tel. 0161 253 6922,



cutting through complexity™

Progress report



External audit progress report – September 2014

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions.

Area of responsibility	Commentary
Financial statements	<p>Our work on the financial statements for 13/14 is now complete. Full details of our findings from this work are contained in the ISA 260 <i>Report to those charged with governance</i>, which was presented at the last Audit Committee.</p> <p>For 14/15, our detailed audit plan will be presented to the next Audit Committee in December. This will provide details on our audit approach, any risks we have identified and how we plan to address these through our audit work.</p>
Value for Money	<p>Our work on the 13/14 VFM opinion has now concluded. Details of our findings are contained within the ISA 260 <i>Report to those charged with governance</i> which was presented at the previous Audit Committee.</p>
Certification of claims and returns	<p>Our certification of claims and returns work has commenced for 13/14. In 13/14 we are required to provide assurance on three claims and returns; Housing Benefit, Pooling of Housing Capital Receipts and Teachers' Pension Return.</p> <p>Details of our findings will be presented to the Audit Committee once this work is complete.</p>



cutting through complexity™

© 2014 KPMG International. KPMG International is a Swiss cooperative of which all KPMG firms are members. KPMG International provides no services to clients. Each member firm is a separate and independent legal entity and each describes itself as such. All rights reserved.

The KPMG name, logo and 'cutting through complexity' are registered trademarks or trademarks of KPMG International Cooperative (KPMG International).

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank