

**Minutes of:                   AUDIT COMMITTEE**

**Date of Meeting:** 15 July 2015

**Present:** Councillor Mallon (in the Chair)  
Councillors N Bayley, Southworth, R Walker, Whitby and  
M Wiseman

**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 E Fitzgerald, Councillor S Nuttall and  
Councillor S Smith

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#### **AU.171       DECLARATIONS OF INTEREST**

Councillor Mallon declared a personal interest in any item relating to the Department for Children, Young People and Culture as his wife is employed in a Bury High School.

Councillor Sarah Southworth declared a personal interest in any item relating to Six Town Housing as she is a Member of the Board of Directors.

Councillor Wiseman declared a personal interest in any item relating to the Day Centre where she is Chief Executive.

#### **AU.172       MINUTES OF THE LAST MEETING**

**It was agreed:**

That the Minutes of the Last Meeting of the Audit Committee held on 2 March 2015 be approved as a correct record and signed by the Chair.

#### **AU.173       AUDITED STATEMENT OF ACCOUNTS AND ISA 260 2014/2015**

The Head of Financial Management, Andrew Baldwin, presented a report providing Members with details of the Council's Statement of Accounts for the financial year ended March 31 2015.

The pre-audited Statement of Accounts had been approved by the Responsible Finance Officer on 5 June 2015. The accounts had since been audited and Members of the Audit Committee noted that:-

- No adjustments had been identified;
- Six recommendations had been made. The auditors had classified three as high priority and three as medium. 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 second year the Council was able to present its audited accounts to Members 2 and a half 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 members of the public can access copies of the statement and summary of accounts.

Jillian Burrows and Trevor Rees, representing KPMG, the Council's external auditors, presented the ISA 260 for 2014/2015 alongside the Statement of Accounts. The ISA 260 summarised the key findings from KPMG's work in relation to the financial statements for the year ending 31 March 2015 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 2014/2015 financial statements and it was anticipated that an unqualified audit opinion would be issued by 31 July 2015.

Appendix 1 set out the key issues and recommendations along with the management responses to those recommendations and the responsible officer and due date.

Steve Kenyon, the Interim Executive Director of Resources and Regulation, presented the Letter of Representation which had been signed by him and the Chair of the Audit Committee, Councillor John Mallon, to KPMG which was required before the audit opinion could be issued.

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

- Councillor Bayley referred to risk number 2 in the ISA260 that had been identified in relation to schools bank account reconciliations and asked why something hadn't been done before with regards to this issue.

It was explained that the issue had been highlighted by the audit process and was being rectified with immediate effect. Jillian Burrows reported that KPMG were happy that the reconciliations had been carried out but were asking that the audit trail in relation to this be strengthened. It was also explained that the issue only related to 8 of the Borough's schools.

- Councillor Walker referred to the follow up of the 2013/2014 recommendations and asked that the Committee be updated at a future meeting in relation to the asset revaluations and progress made on this.

Steve Kenyon explained that there was currently some work being done in relation to the specification requirements of the Asset System Module and much work had already been carried out on all the 2013/2014 recommendations.

**Delegated decision:**

1. That the final version of the Statement of Accounts for the 2014/2015 financial year be approved in line with the provisions of the Accounts and Audit Regulations (England) 2011.
2. That the matters and issues arising from the audit and contained within the ISA (UK+I) 260 Financial Statement Report presented by KPMG be accepted.
3. That the letter of representation signed by the Interim Executive Director of Resources and Regulation which was presented at the meeting be approved.
4. That KPMG be thanked for their support and advice during the audit process.

#### **AU.174 RISK MANAGEMENT ANNUAL REPORT 2014/2015**

The Interim Executive Director of Resources and Regulation Steve Kenyon presented a report from Councillor Shori, Deputy Leader of the Council and Cabinet Member for Finance and Housing.

The report provided Members with details of risk management activity that had taken place over the past 12 months. The report also outlined risk management policies and the key issues that would be addressed during the coming financial year.

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 also the Corporate RAAP which records the Council's most significant risks. The Corporate RAAP is reviewed continually by the Strategic Leadership Team.

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

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

- Councillor Bayley referred to the Corporate Risk Register and stated that most of the headings would be the same year in, year out and asked whether any of the risks were new ones or the whether the risk levels had changed.

Steve Kenyon explained that the risks do tend to be the same or around similar themes year on year but the level of risk did change over time. It was also explained that as the Council changed the way it worked with partners etc, partnership risks had to be reviewed and managed.

**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 2014/2015 and the actions planned for 2015/2016 be noted.

**AU.175 INTERNAL AUDIT ANNUAL REPORT AND REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROL 2014/15**

The Head of Financial Management, Andrew Baldwin, presented a report summarising the work undertaken by the Internal Audit service during the 2014/2015 financial year and comparing it to the Audit Plan for the year.

The report contained an Audit Opinion which assessed the Council's control framework as "robust" and updated the Members on some of the issues facing the Internal Audit Service. It was also explained that the report would provide information to support the 2014/2015 Governance Statement, also on the agenda.

It was explained that 97% of the target chargeable days had been achieved by the Internal Audit Team, 44 final reports had been produced which contained 244 recommendations, none of which were high level. It was also reported that 99% of the recommendations had been accepted.

Appended to the report was a Review of the Effectiveness of Internal Audit and the Annual Report and Opinion for 2014/2015.

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

- Councillor Bayley referred to the cost per day of Bury's Internal Audit team compared to the average cost and asked how Bury were able to keep the costs low?

Andrew explained that the costs were based on staffing levels and the fact that the number of staff within the team had reduced. The work that the team carried out was reviewed regularly to ensure that it was risk based, relevant and timely.

- Councillor Bayley referred to the CIPFA benchmarking meeting and the fact that the Council no longer participated in this. Councillor Bayley asked what the Council was now doing with regards to benchmarking.

It was explained that there was a North West Chief Internal Auditors meeting that the Council was a member of and this was where benchmarking against the other authorities took place.

- Councillor Southworth referred to the fact that the Head of Financial Management was also the Head of Internal Audit and asked whether this caused concern around the independence of the section.

It was explained that this issue had been raised previously and KPMG had initially questioned the situation. The Audit Team were managed by Andrew and there was a separation of duties between his role as Chief Internal Auditor and that of Head of Financial Management. It was also explained that if an audit was being carried out in relation to any of Andrew's teams, he would not be involved with the Audit and Internal Audit would report directly to the Interim Executive Director of Resources and Regulation. Trevor Rees from KPMG confirmed that they were satisfied that the management of the team was working well and they would continue to monitor the arrangement.

- Councillor Walker asked whether the Council had any agreements with other partners to share resources.

It was explained that there was the facility to purchase 20 days from Salford Council in relation to computer auditing.

- Councillor Walker also asked whether schools paid for the Audit Service and it was reported that they were charged Audit fees.

**Delegated decision:**

1. That the conclusions reached in the report be accepted.
2. That the suitability of the report in support of the Governance Statement for 2014/2015 be endorsed.

**AU.176 ANNUAL GOVERNANCE STATEMENT 2014/2015**

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 Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. The statement complies with CIPFA guidance and provides evidence that the Council has adopted CIPFA's six Core Principles.

The report also includes details of the key risks that the Council faced in 2014/2015, a review of the effectiveness of the governance framework including the system of internal control plus a copy of the latest Audit Commission VFM profile, year end sickness figures, the governance arrangements in respect of group relationships and a number of the challenges facing the Council in 2015/2016.

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.

**Delegated decision:**

That the Annual Governance Statement 2014/2015 be accepted.

**AU.177 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.178 REPORT ON THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2014/15**

Andrew Baldwin, Head of Financial Management, submitted a report summarising the work carried out by the Audit Committee over the 2014/2015 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.

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.

Members were asked to consider any topics that they would like the Audit Committee to consider and the following were discussed:-

Asset Management  
Strategic Risks  
How Internal Audit works

**Delegated decision:**

That the report be accepted.

**COUNCILLOR MALLON**  
**Chair**

**(Note: The meeting started at 7.00 pm and ended at 8.30 pm)**