

AGENDA FOR

AUDIT COMMITTEE

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To: All Members of Audit Committee

Councillors : N Bayley, E Fitzgerald, Mallon (Chair),
S Nuttall, S Smith, Southworth, R Walker, Whitby and
M Wiseman

Dear Member/Colleague

Audit Committee

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

Date:	Tuesday, 3 November 2015
Place:	Meeting Rooms A & B - Town Hall
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 - 6)*

The Minutes of the last meeting of the Audit Committee held on 15 July 2015 are attached.

4 AUDIT COMMITTEE TRAINING - ASSET MANAGEMENT

A presentation will be given by Alex Holland, Head of Property and Asset Management.

5 FINANCIAL MONITORING REPORT APRIL 2015 - JUNE 2015 *(Pages 7 - 12)*

A report from the Interim Executive Director of Resources and Regulation is attached.

6 QUARTERLY GOVERNANCE STATEMENT - APRIL 2015 TO JUNE 2015 *(Pages 13 - 22)*

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

7 ANNUAL AUDIT LETTER 2014/2015 *(Pages 23 - 32)*

A report from Bury's External Auditors, KPMG is attached

8 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.

9 INTERNAL AUDIT PROGRESS REPORT - APRIL 2015 - JUNE 2015 *(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

10 MEMBERS' FEEDBACK (*Pages 45 - 48*)

A report from the Head of Financial Management is attached.

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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

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)

REPORT FOR INFORMATION

MEETING: **AUDIT COMMITTEE**

DATE: **3rd November 2015**

SUBJECT: **FINANCIAL MONITORING REPORT – APRIL 2015 TO JUNE 2015**

REPORT FROM: **INTERIM EXECUTIVE 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 **£1.480m** for the year based on spending and income information as at 30th June.

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

TRACKING/PROCESS**DIRECTOR: Steve Kenyon**

Chief Executive/ Senior Leadership Team	Cabinet	Overview & Scrutiny	Council	Ward Members	Partners
10/8/15	2/9/15	13/10/15			

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 2015.

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 Finance.

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 2015 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 2015:

Department	Budget £'000	Forecast £'000	Variance £'000
Communities & Wellbeing	65,809	66,424	+615
Resources & Regulation	2,311	2,858	+547
Children, Young People & Culture	34,931	35,749	+818
DCN Residual	53	53	0
Non Service Specific	30,614	30,114	(500)
TOTAL	133,718	135,198	+1,480

- 3.4 The projected overspend of £1.480m represents approximately 1.11% of the total net budget of £133.718m, and compares to an overspend of £1.710m at this point last year.
- 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, Car Parking.
- 3.6 All budget pressures continue to be closely monitored, and departments are continually reviewing areas of discretionary spend to identify savings to offset pressures.

Commitment Accounting

- 3.7 Further analysis of the month 3 figures highlights;

Status	£'000	This Year %	Last Year %
Spent @ 30/6/15	26,737	19.8	24.7
Committed @ 30/6/15	21,085	15.6	17.8
Forecast (1/7/15 – 31/3/16)	87,376	64.6	57.5
Total	135,198	100.00	100.00

- 3.8 Spend and Commitment are clearly factual, however "forecast" is based upon an assessment of a wide range of factors and risks.

Balance Sheet Monitoring

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

Indicator	Position at 1/4/15	Position at 30/6/15
Treasury Performance		
Total Sums Invested	£32.3m	£47.6m
% Return on Investments*	0.62%	0.64%
Total Sums Borrowed	£201.4m	£201.4m

% Cost of Borrowing	3.93%	3.92%
Assets		
Stocks & Work in Progress	£0.931m	£1.518m
Long Term Debtors	£0.129m	£0.129m
Sundry Debtors	£29.278m	£16.908m
Cash / Bank	-£2.310m	£6.908m
Liabilities		
Sundry Creditors	£21.286m	£7.234m
Short Term Provisions	£4.391m	£4.173m

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.

Procurement Activity

- 3.12 Following a presentation by the Head of Procurement at the last meeting, the Chair has requested that additional procurement information be presented to the Committee.
- 3.13 The table below summarises key performance indicators maintained by the Procurement Section;

Indicator	Performance To Date	<i>Performance Last Year</i>
%age of orders placed via automated purchasing system	91.83%	90.81%
%age of invoices received in electronic format	10.75%	10.82%
Cashable Procurement savings (Procurement Team)	£20,628	£307,960
%age spend in Bury Area	15%	19%
Number of Bury suppliers invited to bid via the “Chest”	53	169
Number of contracts Bury Suppliers invited to bid for via the “Chest”	92	235

Minimum Level of Balances

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

	£m
General Fund Balance 1st April 2015 per Accounts	10.487
Less : Minimum balances to be retained in 2015/16	-4.500
Less : Forecast overspend	-1.480
Less : Earmarked to Fund Equal Pay Settlements	-1.500
Forecast available balances at 31st March 2015	3.007

3.15 Based on the information contained in this report, on the risk assessments that have been made, on the forecast outturn position for 2015/16 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.

3.16 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
Interim 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

REPORT FOR DECISION

MEETING: **AUDIT COMMITTEE**

DATE: **3 NOVEMBER, 2015**

SUBJECT: **QUARTERLY GOVERNANCE STATEMENT - APRIL to JUNE 2015**

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 2014/15 Annual Governance Statement was approved by Audit Committee on 15 July 2015.

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 03/11/15	

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 2015.
- 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. The Operational Risk Management Group held a virtual meeting on the 17th June 2015. Further meetings will be scheduled throughout 2015/16.
- 3.1.4 Similarly, a Member-level Corporate Risk Management Group sits quarterly to review registers and action plans. The Corporate Risk Management Group is due to meet on the 8th September 2015.
- 3.1.5 The Risk Management Annual Report was presented to Strategic Leadership Team on the 22nd June 2015 and is to be presented to Cabinet on the 8th July 2015, Audit Committee on the 15th July 2015 and to Council on 9th September 2015.
- 3.1.6 The Corporate Risk Register 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 and that the Corporate Business Continuity Plan takes account of these changes and forms an integral part of the Major Incident Plan when invoked.

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 Q1 statement (i.e. April to June 2015) provides a summary of spend to date and a forecast outturn for the year. This alerts Directors to any pressures which they are required to address.
- 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 went to Cabinet on 2 September and to Overview & Scrutiny Committee on 13 October and will be reported in summary elsewhere on this 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 2015, the section has examined the following fundamental financial systems;

- Main Accounting system;
- Council tax;
- Creditors;
- Business Rates;
- Housing Rent;
- Cash and Banking;
- Debtors;
- Housing Benefit;
- Treasury Management;
- Payroll

- 3.4.3 The Internal Audit section produces reports which rank recommendations according to urgency / priority. The reports completed during the first quarter have produced a total of 78 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:

- Interim Executive Director of Resources & Regulation and S151 Officer;
- Assistant Director of Legal & Democratic Services (Monitoring Officer)
- Head of Financial Management

- 3.5.3 The Panel last met on 20 October 2015; no concerns were raised which required specific reference in this update. The next meeting is scheduled for 13 January, 2016.

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 30 June 2015 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 tables contain the sickness absence figures per full time equivalent for the Council.
- 3.7.3 The first table shows the figures for the previous four departments over the last three financial years plus the first two quarters of 2014/15.
- 3.7.4 The second table shows the second two quarters of 2014/15 plus the first quarter of 2015/16 figures based on the three new departments.

Department	2011/12 Full Year	2012/13 Full Year	2013/14 Full Year	2014/15 Q1	2014/15 Q2
Adult Care Services	16.8	15.1	13.6	14.8	15.1
Chief Executives	6.6	6.3	6.8	6.9	6.9
Children's Services	8.2	8.3	8.9	8.9	8.7
Communities & Neighbourhoods	8.6	9.6	10.8	11.9	11.7
Total FTE days lost	9.4	9.4	9.8	10.2	10.1

Department	2014/15 Q3	2014/15 Q4	2015/16 Q1	% change Q4 to Q1
Communities & Wellbeing	9.9	7.1	5.4	-23.9
Resources & Regulation	6.1	4.0	3.4	-15.0
Children, Young People & Culture	10.9	5.6	5.5	-1.8
Total FTE days lost	9.3	5.8	5.3	-8.6

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 2015/16 relates to the full year period of 1/7/14 to 30/6/15.

- 3.7.5 Whilst it is not possible to compare the three new departments to the four historic departments on a like-for-like basis, over the whole Council the sickness levels remained relatively constant per days lost per FTE for the last three years and it is encouraging that 2014/15 Q4 and 2015/16 Q1 have both shown a reduction from previous figures.
- 3.7.6 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

Internal Audit Reports

Gifts & Hospitality Register

Minutes of Governance Panel

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

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Corporate Risk Register March 2015 – September 2015 (Quarter 2)

Ref	Risk that.....	Risk Owner	Impact (New)	Likelihood (New)	Quarter 1 Status	Quarter 2 Status	Quarter 3 Status	Quarter 4 Status	Measures
01	That the <u>potential</u> liability facing the Council in respect of Equal Pay significantly weakens the Council's financial position.	Tracy Murphy	1	1	1	1			<p>Risk remains low as most cases have now been settled. To remain on register till exercise complete.</p> <p>Provision continues to be made in the Council's assessment of available balances.</p>
02	That there is no robust financial strategy or change management strategy to address effectively the significant funding reductions that the Council faces.	Steve Kenyon	4	4	12	16			<p>The Council has a "live" Medium Term Financial Strategy (MTFS) covering the period to 2016/17.</p> <p>Details of the 2016/17 funding settlement are still unknown.</p> <p>Initially the Council was awaiting details in the Chancellor's Summer 2015 Budget, however no specific detail was provided – hence the escalation of risk from period 1 to 2.</p> <p>The Council now awaits the outcome of the Comprehensive Spending Review (November 2015) and the formal Settlement (December 2015 ?).</p> <p>Meanwhile work continues to develop budget options in line with the MTFS, with particular emphasis on growth and reform based initiatives.</p>

03	That the budget strategy fails to address the Council's priorities and emerging issues, e.g. demographic and legislative changes	Steve Kenyon	3	3	6	9			<p>The Council has a good understanding of its cost base and pressures through robust budget monitoring, Star Chamber and Scrutiny processes.</p> <p>However the overall scale of cuts required for 2016/17 is unlikely to be confirmed until the outcome of the CSR and Local Government Settlement.</p> <p>Proposals for an increased minimum wage in the Chancellor's budget will potentially have a significant impact on the Council's commissioned services e.g. care packages</p>
04	That 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	Steve Kenyon	4	2	8	8			<p>New arrangements have been in place now for over 2 years, however, risk remains high given volatility, and influence from factors which are beyond the control of the Council (e.g. appeals).</p>
05	That 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.	Alex Holland	2	1	4	2			<p>The Asset Management Strategy has been approved and is considering the usage and cost of all assets; taking appropriate action where necessary; e.g. invest, change of use, or disposal.</p> <p>The risk can be reduced for Q2 as the Council has now completed 2 investment property acquisitions in line with its approved "Property Investment Strategy".</p>

08	That the Council fails to manage the expectations of residents, service users & other stakeholders in light of funding reductions	Mike Owen	4	3	9	12			<p>The Council has a well defined process for consultation and engaging with residents and stakeholders.</p> <p>A programme of Budget consultations has taken place throughout the Borough at Township Forums for 2015/16.</p> <p>This is scheduled to be repeated for the 2016/17 budget; however the timing of the availability of settlement data presents a risk to this process.</p>
09	That 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	Claire Jenkins	3	4	9	12			<p>The impact on residents is being managed through the Council's Welfare Reform Board.</p> <p>Budgetary impact continues to be assessed through monthly monitoring / Star Chamber process.</p> <p>There is a risk that wider welfare / tax credit reforms announced in the Chancellor's July Budget will see an increase in claimant numbers – risk revised to reflect this.</p>
10	That changes resulting from the wider Welfare reform agenda impact adversely upon the public / vulnerable people.	Claire Jenkins	4	3	9	12			<p>Announcements in the Chancellor's July Budget have the potential to raise the impact of Welfare Reforms / Changes to Tax Credits; the risk has been escalated to reflect this</p> <p>The Council's Welfare Reform Board is coordinating an action plan with partner organisations (e.g. Six Town, CAB).</p>

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 Owen	4	2	8	8		<p>The Workforce Development Plan is in place, and services are developing workforce plans to ensure continuity / succession planning.</p> <p>Loss of capacity / experience remains a major concern and will continue to be closely monitored.</p>
12	That the Council fails to build on the opportunities presented by the GM Devolution Agenda, and wider Public Service Reform	Mike Owen	4	1	4	4		<p>The Council plays a key role at AGMA level with the Leader and Chief Executive leading on a number of workstreams e.g. Police & Crime.</p> <p>Locally, the approach to Devolution / Reform is led by the Chief Executive through the Bury Wider Leadership Team (WLT)</p> <p>Robust plans are in place to ensure the Council builds on the opportunities of devolution and mitigates any risks.</p>



cutting through complexity

Annual Audit Letter 2014/15

Bury Metropolitan Borough Council

October 2015



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Report sections

■ Headlines

Appendices

1. Key issues and recommendations

2. Summary of reports issued

3. Audit fees

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies* summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees, the engagement lead to the Authority, who will try to resolve your complaint. Trevor is also the lead contact work under our contract with Public Sector Audit Appointments Limited. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This report summarises the key findings from our 2014/15 audit of Bury Metropolitan Borough Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 31 July 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
VFM risk areas	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>Our work identified the following significant matters:</p> <ul style="list-style-type: none"> ▪ Savings plan. <p>We worked with officers throughout the year to discuss this VFM risk and our detailed findings were reported in the ISA260. There are no matters of any significance arising as result of our audit work in this VFM risk area.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 31 July 2015. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the Authority's Group, which consists of the Authority itself and Six Town Housing.</p>
Financial statements audit	<p>The Authority continues to maintain a good financial reporting process and produce statements of accounts to a good standard. The quality of working papers provided was good and in the main met the standards specified in our <i>Accounts Audit Protocol</i>.</p> <p>We did not identify any significant adjusted or unadjusted audit differences. We identified a number of presentational adjustments required to ensure that the accounts are compliant with the <i>Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')</i>. The Authority addressed all significant changes.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>
Whole of Government Accounts	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.</p>

Section one

Headlines (continued)

We provide a summary of our key recommendations in Appendix 1.

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

High priority recommendations	We raised three high priority recommendations as a result of our 2014/15 audit work. These are detailed in Appendix 1 together with the action plan agreed by management. We will formally follow up these recommendations as part of our 2015/16 work.
Certificate	We issued our certificate on 30 September 2015. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
Audit fee	Our fee for 2014/15 was £154,170, excluding VAT. Further detail is contained in Appendix 3.

This appendix summarises the high priority recommendations that we identified during our 2014/15 audit, along with your responses to them.

Lower priority recommendations are contained, as appropriate, in our other reports, which are listed in Appendix 2.

No.	Issue and recommendation	Management response / responsible officer / due date
1	<p>Payroll issue – establishment lists:</p> <p>Testing of starters and leavers on the payroll system identified issues with the completeness of documentation held by the RCT team. This is an ongoing issue which has previously been identified by internal audit. A mitigating control in relation to establishment listings has been implemented however this has not operated effectively throughout the full financial year.</p> <p>Recommendation</p> <p>To ensure accuracy and completeness of payroll data, establishment lists should be issued on a monthly basis.</p>	<p>Agreed. The establishment list was re-written during 2014/15 in Business Objects and has been sent to Departmental HR on a monthly basis requesting confirmation that the list has been checked and any required amendments reported to the Recruitment & Contracts team.</p> <p>Responsible Officer: Acting Assistant Director of Human Resources</p> <p>Due Date: With immediate effect</p>
2	<p>Purchase orders – authorised signatory list:</p> <p>There is no authorised signatory listing in place for purchases that are made outside of the P2P system. Although the value of payments made in this way is decreasing year on year, there is still a risk that the Authority is incurring expenditure which has not been appropriately signed off.</p> <p>This issue was also identified in an Internal Audit report in June 2015.</p> <p>Recommendation</p> <p>An authorised signatory listing should be drawn up immediately.</p>	<p>Agreed. 90% of invoices are approved and processed through P2P. Actions will be taken to further ensure the use of P2P and reduce the number of invoices made outside of the P2P system. The authorised signatory list to be drawn up in conjunction with departmental Heads of Finance.</p> <p>Responsible Officer: Head of Financial Management</p> <p>Due Date: With immediate effect</p>

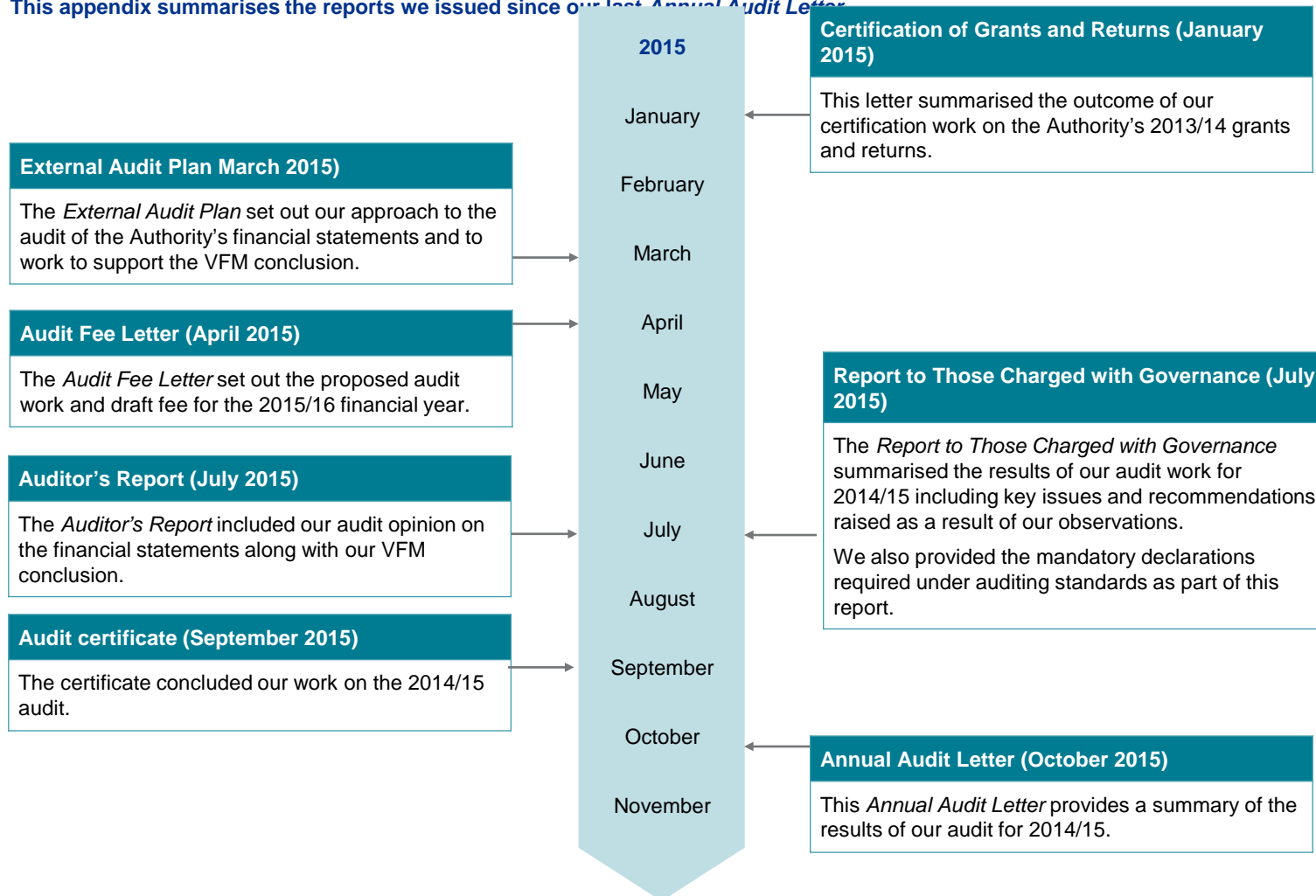
No.	Issue and recommendation	Management response / responsible officer / due date
3	<p>Prior year recommendations</p> <p>Four of the recommendations made following the 2013/14 audit have not yet been implemented.</p> <p>Recommendation</p> <p>The Authority should implement all the agreed actions as soon as possible.</p>	Agreed.

Follow up of previous recommendations

As part of our audit work we followed up on the Authority's progress against previous audit recommendations. As detailed at recommendation three above, the authority had not implemented four of the recommendations at the time of audit. We are pleased to report that significant progress has been made to implement the agreed actions.

This appendix summarises the reports we issued since our last *Annual Audit Letter*.

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This appendix provides information on our final fees for the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit of the Authority was £155,640 which is in line with the planned fee.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2016.

Other services

For 2014/15 we are undertaking certification work on the Teachers Pensions Agency grant claim and the Pooling of Housing Capital Receipts. Both of these claims fall outside of the Public Sector Audit Appointment's certification regime. Whilst fees are still to be agreed they not not exceed £7k.



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