

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:	Monday, 25 January 2016
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 TRAINING - RISK MANAGEMENT

A presentation will be given at the meeting.

4 MINUTES OF THE LAST MEETING (*Pages 1 - 6*)

The Minutes of the Last Meeting held on 3 November 2015 are attached

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

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

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

A report from the Head of Financial Management is attached.
The Corporate Risk Register is attached

7 KPMG AUDIT PLAN (*Pages 23 - 36*)

The KMPG Audit Plan is attached

8 KPMG ANNUAL REPORT ON GRANTS & RETURNS WORK 2014/2015 (*Pages 37 - 42*)

A report from 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 APRIL 2015 TO SEPTEMBER 2015 (*Pages 43 - 54*)

A report from the Head of Financial Management is attached

11 QUARTER 2 INTERNAL AUDIT REPORTS - MEMBERS' FEEDBACK

(Pages 55 - 58)

A report from the Head of Financial Management is attached

12 INTERNAL AUDIT PLAN 2016/2017 *(Pages 59 - 72)*

A report from the Head of Financial Management is attached

Appendix A attached

Appendix B attached

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Minutes of: AUDIT COMMITTEE

Date of Meeting: 3 November 2015

Present: Councillor Mallon (in the Chair)
Councillors E FitzGerald, S Nuttall, Sarah Southworth,
R Walker, M Whitby and M Wiseman

Also in attendance: A Baldwin - Head of Financial Management
Jillian Burrows - KPMG

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

Apologies for Absence: Councillors N Bayley and S Smith
Rashpal Khangura – KPMG

AU.417 DECLARATIONS OF INTEREST

Councillor Mallon declared a personal interest in any item relating to education as his wife is employed at a Bury School.

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

AU.418 MINUTES OF THE LAST MEETING

Delegated decision:

That the Minutes of the last meeting of the Audit Committee held on 15 July 2015 be approved as a correct record and signed by the Chair.

AU.419 MATTERS ARISING

There were no matters arising from the Minutes of the Last Meeting.

AU.420 AUDIT COMMITTEE TRAINING - ASSET MANAGEMENT

Alex Holland, Head of Property and Asset Management attended the meeting to explain asset management across the authority.

The overall aims and objectives were explained:

- reduce running and costs
- improve fitness of purpose of all retained buildings
- use property more effectively
- share property with others providing complimentary services
- dispose of surplus estate to generate capital receipts for reinvestment
- ensure effective future investment

There are two different property categories that the authority manages

Operational Property – day to day buildings such as libraries and leisure centres

- 535 properties

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Audit Committee, 3 November 2015

- Total asset value of £291m
- Running cost of £11.01m in 2014/15

Non – Operational Property

- 950 property interests, ranging from residential ground leases to offices, markets and business parks
- Overall rent roll £4.52m pa

Models of Asset Management

- Centralised/Corporate Landlord:
 - Property controlled centrally
 - Services are effectively tenants
 - Generally viewed as best practice
- Devolved Model:
 - Properties are 'owned' and managed by services and departments

It was explained that Bury is a mixture of the two, but still predominantly devolved.

Governance:

- Portfolio – Resource & Regulation
- Officer Responsibility – Executive Director of Resources & Regulation
- Property Strategy Group – Asset Management and Regeneration
- Cabinet – key decisions involving property

Strategy & Planning

- Asset Management Plan 2012
- Revised Plan 2016 – How will property help to deliver the Council's Vision and priorities?
- Links to Medium Term Financial Strategy, IT and HR strategies

Alex explained that with the devolution agenda and more partnership working it was likely that more property would be providing shared services:-

- Strategic Estates Group – Team Bury Partners
- Impact of GM Devolution and health agenda
- Bury Estates Strategy (5 years) and Plan (18 months) – links to the Bury Locality Plan
- Joined up thinking and identification of opportunities

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

- Councillor Walker referred to the face to face services that had previously been available from services through reception areas and how this was not now the case.

It was explained that all service provision would be regularly reviewed to see if the accommodation was fit for purpose.

- Councillor Wiseman asked about the properties owned by the Council and how it was decided to purchase new investments.

It was explained that due diligence would always be undertaken before any purchases were made in relation to income streams.

- Councillor FitzGerald stated that how the Council left a site once it had disposed of it was also very important

AU.421 ANNUAL AUDIT LETTER 2014/2015

Jillian Burrows representing KPMG presented the Annual Audit Letter which summarised the key findings from KPMG's 2014/2015 audit of the Authority. The audit covered the audit of the Authority's 2014/2015 financial statements and the 2014/2015 Value For Money conclusion.

Appendix 1 to the report referred to 3 high risk recommendations that had been highlighted in the ISA 260. It was reported that progress had been made in relation to all 3 recommendations and these would be followed up when KPMG carried out their interim work in January and February 2016. The outcome of this work would be reported in the ISA 260 for 2015/2016.

Jillian explained that the Value For Money approach would be changing for 2015/2016. The National Audit Office would be issuing final guidance at the end of the month.

It was also reported that Trevor Rees had now retired from KPMG and his role had been taken by Rashpal Khangura.

Delegated decision:

1. That the contents of the report be noted.
2. That the new VFM Guidance would be circulated to the Audit Committee Members upon its issue.
3. That the Committee send a notice of thanks to Trevor Rees for his work with the Council and the Audit Committee.
4. That Rashpal be welcomed in his new role.

AU.422 PUBLIC QUESTION TIME

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

AU.423 FINANCIAL MONITORING REPORT APRIL 2015 - JUNE 2015

The Head of Financial Management, Andrew Baldwin, presented a report updating Members of 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 exposure to risk and the control environment'. The report focussed on the revenue budget, balance sheet, procurement activity and the minimum level of balances.

The report indicated that the Authority was projecting an overspend of £1.480m

for the year based on spending and income information as at 30 June 2015.

A fuller version of the report had been considered by Overview & Scrutiny at its meeting on the 13 October.

- Councillor FitzGerald referred to the housing stock that was currently managed by Six Town Housing on behalf of the Authority and asked what the level of risk was with the introduction of Right to Buy options for tenants. Would Six Town Housing be in a position to service the debt if a large number of tenants purchased their properties.

Andrew stated that he would bring a response back to the Committee at a future meeting.

Delegated decision:

That the contents of the report be noted.

AU.424 QUARTERLY GOVERNANCE STATEMENT - APRIL 2015 TO JUNE 2015

The Head of Financial Management presented a report providing Members with a quarterly update on the Annual Governance Statement which had been approved by the Audit Committee at its meeting on July 15 2015.

The report gave an update on the continuous monitoring that was carried out and highlighted any relevant issues with regards to Risk Management, Business Continuity, Budget Monitoring, the work of Internal Audit, Review of Ethical Governance, the work of the Governance Panel, Gifts and Hospitality and Sickness levels across the authority's staff.

The up to date Corporate Risk Register was appended to the report and informed Members of the risk event and status. It was explained that the Risk Register had been updated to reflect the most current high level risks facing the organisation. It was reported that of the 10 risks listed within the report 6 had changed level of risk since the last report was issued.

Also included in the report was an update of sickness absence statistics and the actions being taken to contribute to the reduction in the levels of absence sickness. It was explained that changes had been made to the authority's sickness policy which now included 3 years retrospective sickness absences.

Delegated decision:

That the contents of the report be noted.

AU.425 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.426 INTERNAL AUDIT PROGRESS REPORT - APRIL 2015 - JUNE 2015

The Head of Financial Management submitted a report briefing the Committee Members on the work being carried out currently by Internal Audit in line with the Annual Audit Plan 2015/2016.

Details of work undertaken and Audit Reports issued were included in the report with significant issues highlighted. This included work carried out against the approved plan, details of final reports issued since the last Audit Committee meeting and a suite of performance indicators.

Delegated decision:

That the contents of the report be noted

AU.427 MEMBERS' FEEDBACK

The Head of Financial Management submitted a report providing feedback to Committee Members in the form of responses to specific issues raised in relation to Audit Reports. This included details of cash transactions occurring with a value over £1000, and those audits that have been revisited since the last meeting on 15 July. All of the follow ups were carried out successfully and no issues had been identified.

Delegated Decision:

That the contents of the report be noted.

COUNCILLOR MALLON
Chair

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

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REPORT FOR INFORMATION

MEETING: **AUDIT COMMITTEE**

DATE: **25th January 2016**

SUBJECT: **FINANCIAL MONITORING REPORT – APRIL 2015 TO SEPTEMBER 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 **£0.933m** for the year based on spending and income information as at 30th September.

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
	25/11/15	2/12/15			

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 September 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 September 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 September 2015:

Department	Budget £'000	Forecast £'000	Variance £'000
Communities & Wellbeing	65,850	65,951	+101
Resources & Regulation	2,319	3,006	+687
Children, Young People & Culture	34,954	35,599	+645
Non Service Specific	30,588	30,088	(500)
TOTAL	133,711	134,644	+933

3.4 The projected overspend of £0.933m represents approximately 0.70% of the total net budget of £133.711m, and compares to a forecast variance of £1.459m 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 6 figures highlights;

Status	£'000	This Year %	<i>Last Year %</i>
Spent @ 30/9/15	45,361	33.7	41.4
Committed @ 30/9/15	16,079	11.9	13.7
Forecast (1/10/15 – 31/3/16)	73,204	54.4	44.9
Total	134,644	100.0	<i>100.00</i>

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	Position at 30/9/15
Treasury Performance			
Total Sums Invested	£32.3m	£47.6m	£36.5m
% Return on Investments*	0.62%	0.64%	0.67%
Total Sums Borrowed	£201.4m	£201.4m	£191.5m

% Cost of Borrowing	3.93%	3.92%	3.92%
Assets			
Stocks & Work in Progress	£0.931m	£1.518m	£0.846m
Long Term Debtors	£0.129m	£0.129m	£0.129m
Sundry Debtors	£29.278m	£16.908m	£15.596m
Cash / Bank	-£2.310m	£6.908m	£2.393m
Liabilities			
Sundry Creditors	£21.286m	£7.234m	£2.238m
Short Term Provisions	£4.391m	£4.173m	£4.430m

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	96.53%	90.81%
%age of invoices received in electronic format	7.13%	10.82%
Cashable Procurement savings (Procurement Team)	£95,986	£307,960
%age spend in Bury Area	22%	19%
Number of Bury suppliers invited to bid via the “Chest”	74	169
Number of contracts for Bury Suppliers invited to bid for via the “Chest”	128	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	-0.933
Less : Earmarked to Fund Equal Pay Settlements	-1.500
Forecast available balances at 31st March 2016	3.554

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 Executive Director of Resources & Regulation

Background documents:

Further information available from the Interim Executive Director of Resources & Regulation;

Mr S Kenyon,
 Tel. 0161 253 6922, Email: S.Kenyon@bury.gov.uk

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 25/01/16	

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. Meetings are scheduled to coincide with the quarterly meetings of the Corporate Risk Management Group. The Operational Risk Management Group is due to meet on the 13th January 2016.
- 3.1.4 Similarly, a Member-level Corporate Risk Management Group sits quarterly to review the Corporate Risks and take account of issues arising from the Operational Risk Management Group. The Corporate Risk Management Group is due to meet on the 19th January 2015.
- 3.1.5 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 Priority is 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 revised Generic Emergency Response Plan. Also that critical services are reviewed and again form an integral part of the Council’s Emergency Response.

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 Q2 statement (i.e. April to September 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 2 report went to Cabinet on 25 November and to Overview & Scrutiny Committee on 2 December 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 September 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;
- Risk Management;
- Payroll

3.4.3 The Internal Audit section produces reports which rank recommendations according to urgency / priority. The reports completed during the six months have produced a total of 141 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 is due to meet on 13 January, 2016; no concerns have previously been raised which have required specific reference in this update. The next meeting is scheduled for 13 April, 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 September 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.

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- 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 two quarters 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	2015/16 Q2	% change Q1 to Q2
Communities & Wellbeing	11.4	12.1	13.8	13.9	+0.72
Resources & Regulation	6.1	7.0	7.0	8.0	+14.2
Children, Young People & Culture	10.9	7.99	8.5	8.4	-1.2
Total FTE days lost	9.3	10.2	9.4	9.5	+1.1

Note – the quarterly figures are calculated on a rolling 12 month basis and do not reflect the quarter in isolation. Therefore, the Q2 period for 2015/16 relates to the full year period of 1/10/14 to 30/9/15.

- 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 2015/16 Q1 and Q2 have both shown a slight reduction from the final quarter of 2014/15.
- 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:

Mr A Baldwin, Head of Financial Management

Tel. 0161 253 5034

Email: a.baldwin@bury.gov.uk

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 GREEN	1 GREEN			<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 RED	16 RED			<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 AMBER	9 RED			<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 RED	8 RED			<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 GREEN	2 GREEN			<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 RED	12 RED			<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 RED	12 RED			<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 RED	12 RED			<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 RED	8 RED		<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 GREEN	4 GREEN		<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>



DRAFT External Audit Plan 2015/2016

Bury Metropolitan Borough Council
January 2016

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£8.5 million**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£0.4 million**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Capital and revenue consequences of December 2015 floods in Bury.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- A change in the Minimum Revenue Provision Policy; and
- New delivery models for services.

See pages 3 to 5 for more details.

Value for Money Arrangements work



The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment is ongoing and we will report VFM significant risks during our audit.

See pages 6 to 8 for more details.

Logistics



Our team is:

- Rashpal Khangura – Engagement Lead
- Jillian Burrows – Senior Manager
- Robert Fenton – Assistant manager

More details are on **page 11**.

Our work will be completed in four phases from December to July and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 10**.

Our fee for the audit is £116,730 (£155,640 2014/2015) see **page 9**.

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16.



Financial Statements Audit Planning

Our planning work takes place during December to February 2016. This involves the following key aspects:

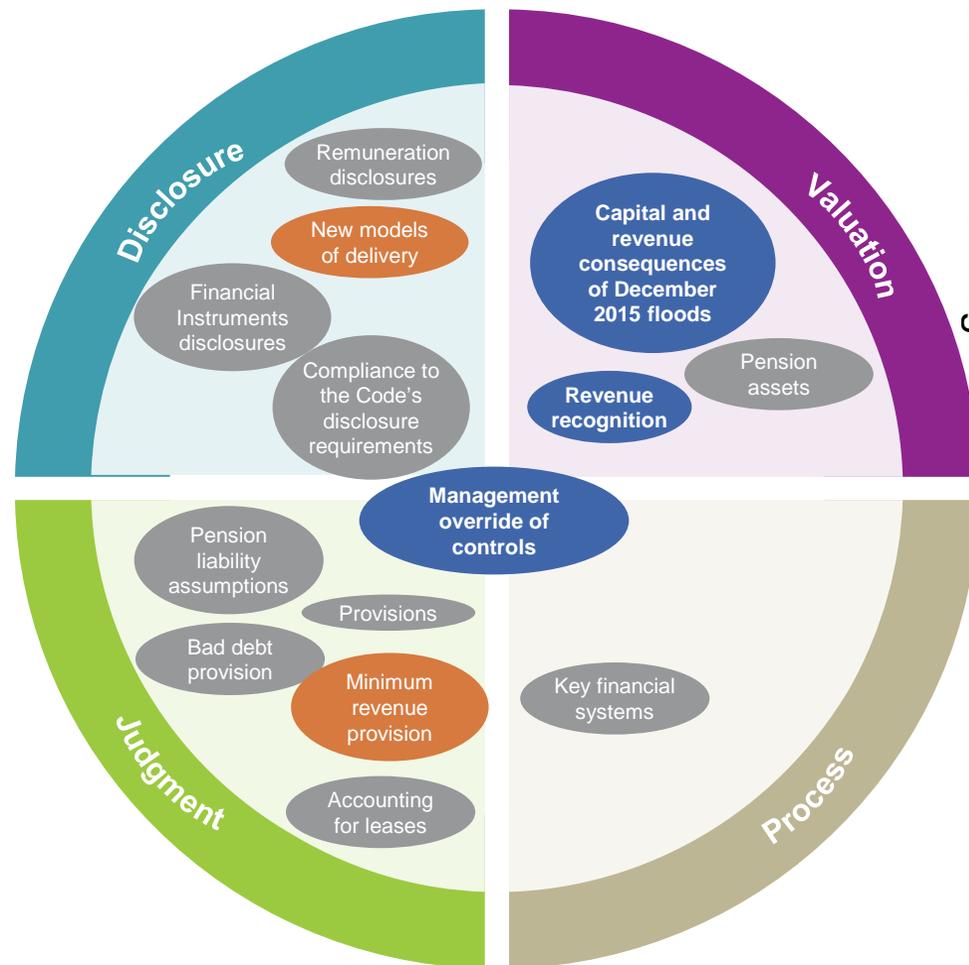
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Revenue and capital consequences of December 2015 floods

- Many Local Authorities were heavily impacted by the floods In December 2015. Bury Metropolitan Borough Council (the “Council”) was particularly affected, with infrastructure and community assets in the borough experiencing extensive damage. In addition, many homes and businesses have been affected and the Council is in the process of implementing financial assistance plans.
- The extent of the financial impact is still being assessed and the level of financial assistance from Central Government to deal with the cost is as yet unknown. At this stage there are likely to be implications in relation to asset values, reduced council tax and business rates income and potential government funding.
- As part of our audit procedures, we will ensure that the revenue and capital consequences of the floods are appropriately accounted for in the 2015/16 financial statements.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Minimum Revenue Provision Policy

- The Council have revised the MRP policy in year. An initial review of the proposals suggest that the Council has been prudent in its approach to revise the calculations.
- We will consider whether the method adopted for calculating the MRP Provision is compliant with the DCLG guidance.

New model of delivery

- In order to tackle to growing savings targets across the local authority, the Council has set up a Local Authority Trading Company (LATCo) to deliver Adult Social Care Provider Services. The LATCo came into operation on 1 October 2015.
- As part of our audit procedures we will ensure that the consolidation of the company is accounted for correctly and that relevant disclosures are made in the financial statements.

Investment property acquisition strategy

- The Investment Property Acquisition Strategy was agreed by Council in September 2014. This outlines proposals to acquire property assets for investment purposes which will increase the financial performance of the commercial portfolio and increase revenue income to the Council as a result.
- As part of our audit procedures, we will ensure that investments made in year are appropriately accounted for in the 2015/16 financial statements and that adequate disclosure notes are included.

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

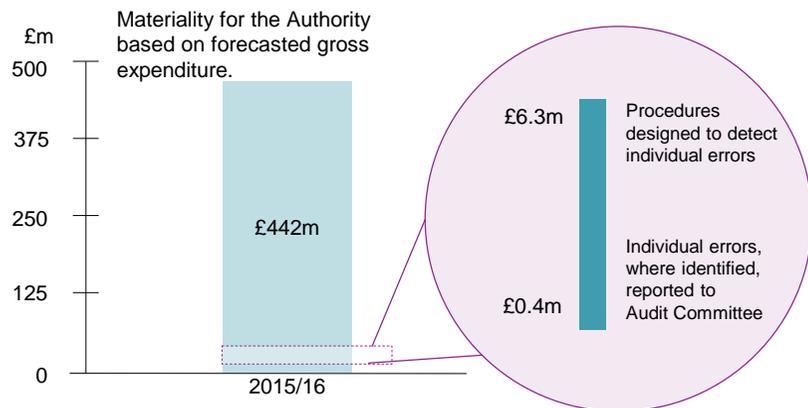
Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £8.5m million for the Authority's standalone and group accounts, which equates to 2 percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.



Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.4 million.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Group audit

In addition to the Authority we deem *Six Town Housing* to be significant in the context of the group audit.

To support our audit work on the Authority's group accounts, we seek to place reliance on the work of Baker Tilly who are the auditors to this subsidiary. We will liaise with them in order to confirm that their programme of work is adequate for our purposes and they satisfy professional requirements.

We will report the following matters in our Report to those charged with Governance:

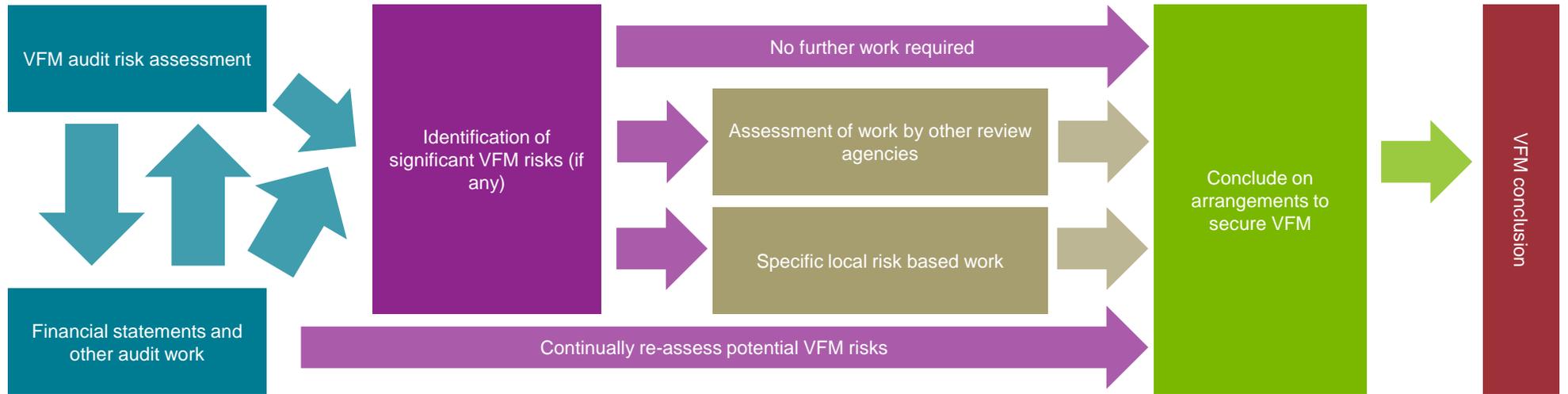
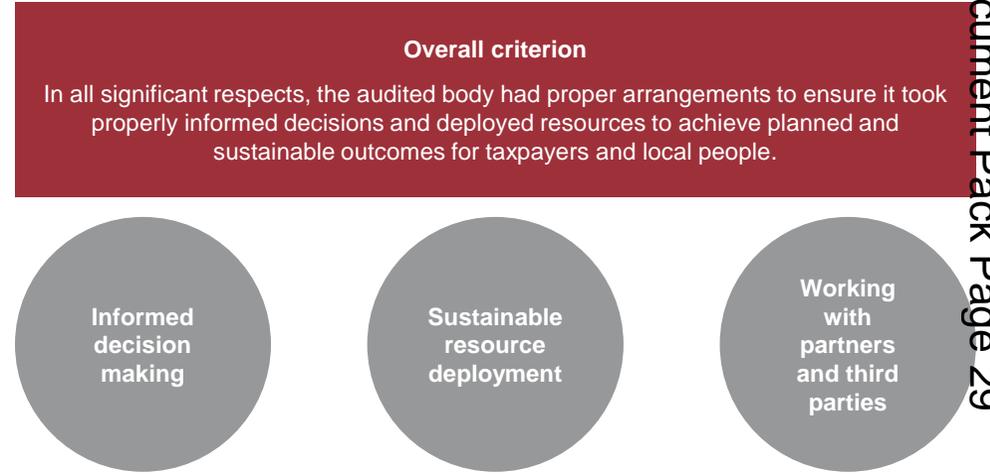
- Any deficiencies in the system of internal controls or instances of fraud which the subsidiary auditors identify;
- Any limitations on the group audit, for example, where the our access to information may have been restricted; and
- Any instances where our evaluation of the work the subsidiary auditors gives rise to concern about the quality of that auditor's work.

Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Authority. The diagram to the right shows the details of this criteria.





VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>We are in the process of completing our initial VFM risk assessment and will update our assessment throughout the year should any issues present themselves and we will report against these in our ISA260 Report.</p> <p>This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Rashpal Khangura, who is the new to the engagement in 2015-16, bringing a wealth of sector knowledge and a fresh perspective to the audit. Jillian Burrows continues as the Senior Manager responsible for the overall delivery and quality assurance of the audit work. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

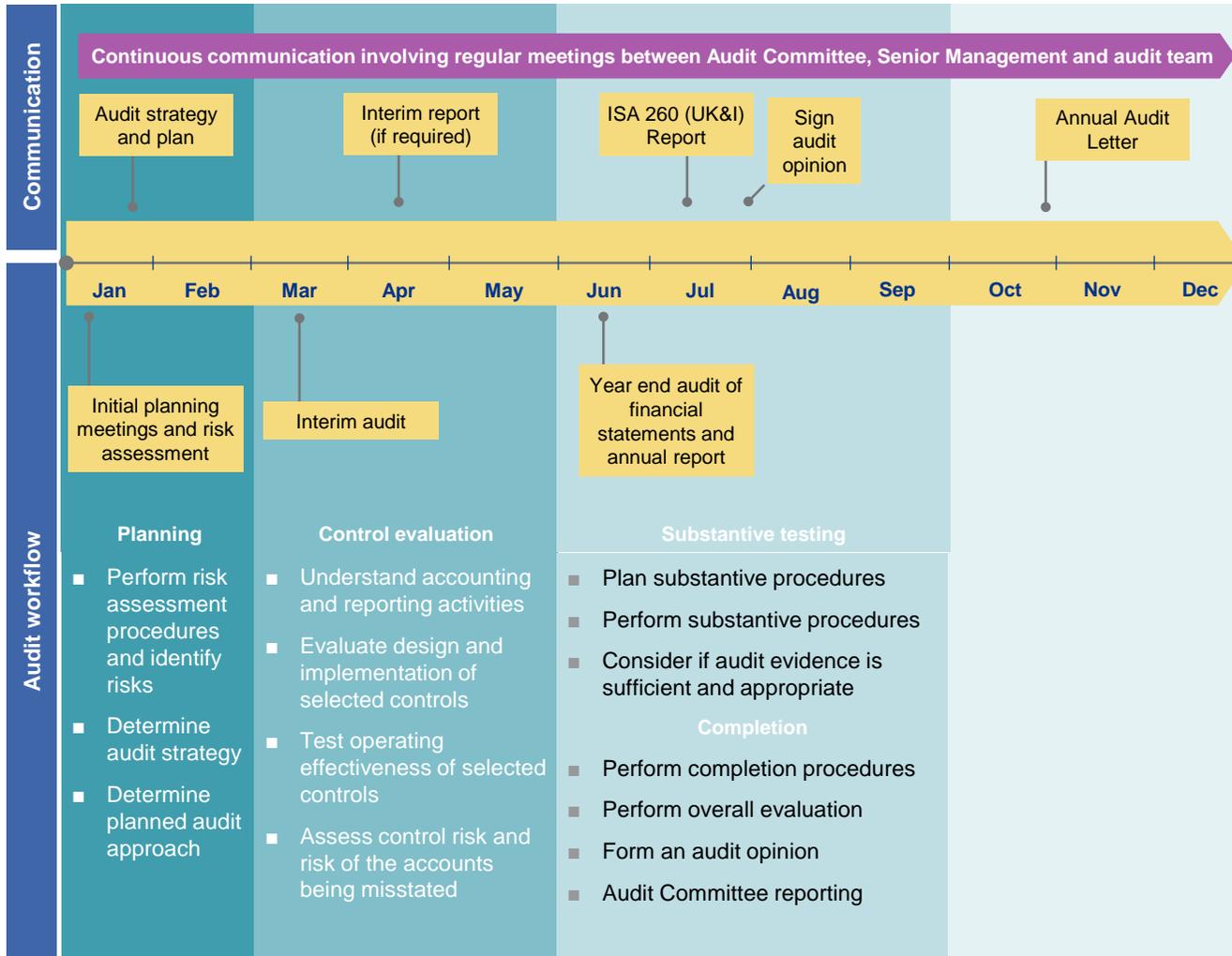
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2015/16 is £116,730. This is a reduction in audit fee of £38,910 (25%), compared to a fee of £155,640 in 2014/2015. This is in line with PSAA 2015/16 Audit Scale Fees.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Your audit team has been drawn from our specialist public sector assurance department. Rashpal Khangura has joined the audit team as engagement lead, otherwise our audit team were all part of the Bury MBC audit last year.



Name	Rashpal Khangura
Position	Engagement Lead
Telephone	0113 231 3396
Email	Rashpal.Khangura@kpmg.co.uk
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Audit Committee and Chief Executive.'</p>



Name	Jillian Burrows
Position	Senior Manager
Telephone	0161 246 4705
Email	Jillian.Burrows@kpmg.co.uk
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Rashpal Khangura to ensure we add value.</p> <p>I will liaise with the Interim Director of Resources and Regulation and other Executive Directors.'</p>



Name	Robert Fenton
Position	Assistant Manager
Telephone	0161 246 4686
Email	Robert.Fenton@kpmg.co.uk
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of **12 January 2016** in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, 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 Rashpal Khangura, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. 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.



cutting through complexity

KPMG Annual Report on grants and returns work 2014/15

Bury Metropolitan Borough Council
January 2016

**The contacts at KPMG
in connection with this
report are:**

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■ Headlines	2
■ Summary of certification work outcomes	3
■ Fees	4

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<p>Introduction and background</p>	<p>This report summarises the results of work we have carried out on the Council’s 2014/15 grant claims and returns.</p> <p>This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2014/15 is:</p> <ul style="list-style-type: none"> ■ Under the Public Sector Audit Appointment arrangements we certified one claim – the Council’s 2014/15 Housing Benefit Subsidy claim. This had a value of 56.3 million. ■ Under separate assurance engagements we certified two returns as listed below: <ul style="list-style-type: none"> – Teachers Pension EOYCa Return: and – Pooling of Housing Capital Receipts Return. 	<p>-</p>
<p>Certification results</p>	<p>Our work on the Council’s Housing Benefit Subsidy claim was unqualified.</p> <ul style="list-style-type: none"> ■ These results are an improvement on the prior year where adjustments were required. <p>Our work on the other grant assurance engagements resulted in the following reports:</p> <ul style="list-style-type: none"> ■ Teacher Pension EOYCa Return – Unqualified; ■ Pooling of Housing Capital Receipts Return – Unqualified. 	<p>Page 3</p>
<p>Audit adjustments</p>	<p>No adjustments were necessary to the Council’s grants and returns as a result of our certification work this year.</p>	<p>Page 3</p>
<p>Fees</p>	<p>The indicative fee for our work on the Council’s 2014/15 Housing Benefit Subsidy was set by Public Sector Audit Appointments at £11,310. The actual fee for this work was the same as our indicative fee.</p> <p>Our fees for the other ‘assurance’ engagements were subject to agreement directly with the Council and were: £2,500 for Teachers Pension and £3,000 for Pooling of Housing Capital Receipts.</p>	<p>Page 4</p>

Summary of reporting outcomes

Overall, we carried out work on 3 grants and returns:

- All were unqualified with no amendment;

Detailed below is a summary of the reporting outcomes from our work on the Council's 2014/15 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments arrangements				
■ Housing Benefit Subsidy				
Other assurance engagements				
■ Teacher Pensions				
■ Pooling of Housing Capital Receipts				
	-	-	-	3

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on other returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants and returns in 2014/15 was £16,810

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2014/15 (£)	2013/14 (£)
Housing Benefit Subsidy claim	11,310	6,921
Teachers Pensions	2,500	2,422
Pooling of Housing Capital Receipts	3,000	1,452
Total fee	16,810	8,373

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2014/15 of £11,310. Our actual fee was the same as the indicative fee, and this compares to the 2013/14 fee for this claim of £6,921.

Housing Benefit Subsidy Claim fees are set using historical fee information from prior years. The 2013/14 fee was set using data from 2011/12 which was subsequently found to be incorrect. The PSAA therefore agreed to an increase in the baseline fee for the certification of the claim and this was applied to the 2014/15 fee only.

Grants subject to other assurance engagements

The fees for our assurance work on other returns are agreed directly with the Council.



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