

AGENDA FOR

AUDIT COMMITTEE

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To: All Members of Audit Committee

Councillors : N Bayley, E Fitzgerald, J Mallon (Chair),
S Nuttall, 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:	Wednesday, 20 April 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 MINUTES OF THE LAST MEETING. *(Pages 1 - 6)*

4 INTERIM AUDIT REPORT 2015/2016 *(Pages 7 - 14)*

A report from KPMG is attached.

5 ANNUAL AUDIT LETTER 2016/2017 *(Pages 15 - 22)*

The Annual Audit Letter is attached.

6 QUARTERLY GOVERNANCE STATEMENT APRIL - DECEMBER 2015 *(Pages 23 - 32)*

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

7 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.

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

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

9 INTERNAL AUDIT REPORT - MEMBERS' FEEDBACK *(Pages 45 - 50)*

Report from the Head of Financial Management is attached
Appendix attached

Minutes of: AUDIT COMMITTEE**Date of Meeting:** 25 January 2016**Present:** Councillor J Mallon (in the Chair)
Councillors E Fitzgerald, Southworth, R Walker, Whitby and M Wiseman**Also in attendance:** Andrew Baldwin – Head of Financial Management
Steve Kenyon – Interim Assistant Director of Resources and Regulation
Robert Fenton – KPMG
Rashpal Khangura - KPMG**Public Attendance:** No members of the public were present at the meeting.**Apologies for Absence:** Councillor N Bayley and Councillor S Nuttall (CL)**AU.660 DECLARATIONS OF INTEREST**

Councillor Mallon declared a personal interest in any item relating to education in the borough as his wife works in a Bury school.

Councillor Walker declared a personal interest in item 11 on the agenda – Internal Audit Report - Members’ Feedback as he is a past Mayor of Bury.

Councillor Sarah Southworth declared a personal interest in any item relating to Persona as her husband’s accountancy business has been awarded the contract to Audit Persona.

Councillor FitzGerald declared a personal interest in any item relating to Persona as she is a Non Executive Director of the Persona Board.

AU.661 TRAINING - RISK MANAGEMENT

Steve Kenyon, Interim Executive Director of Resources and Regulation gave a presentation giving an overview of the Council’s approach to risk management.

It was explained that risk was anything that may affect the achievement of the Council’s priorities and objectives, the uncertainty that surrounds future events and outcomes, and the expression of likelihood and impact of an event with the potential to influence the achievement of Council’s objectives.

Risk management is a planned and systematic approach to the identification, measurement, analysis, assessment, control, reporting and subsequent monitoring of risks which threaten the Council and the services it provides.

Steve explained the importance of risk management :-

- Increases risk awareness
- Increases understanding of risk
- Promotes a healthy risk culture

- Develops a common and consistent approach to risk across the Council
- Improves outcomes – achievement of objectives
- Enables accountability, transparency and responsibility
- Ensures “Going Concern”

Performance gains were explained as being:-

- Lower risk related costs
- Better targeting of resources
- Better outcomes on corporate objectives
- Delivery of innovative projects
- Better outcome for service users
- Protection of reputation

Bury has a Risk Management Strategy which is reviewed on an annual basis.

There is a Corporate Risk Management Group, Operational Risk Management Group and Risk Champions across the authority whose role is to ensure that staff across all areas are aware of risks and how to report them.

The Risk Register is updated regularly and takes account of risks as they occur.

Risks are assessed on likelihood and impact and given a scale of 1 to 4 for each which when calculated gives a score between 1 and 16.

The Audit Committee receives an update of the Risk Register at each meeting and is asked to scrutinise each of the risks registered. The Committee is also asked to review information and reports on risks and ensure they are being managed and ensure the Internal Audit Plan is in line with risk priorities.

The three lines of defence are:

- Operational Management
 - Risk Management
 - Internal Policies and Procedures
 - Internal Control
- Management overview
 - Supervision and Review
 - Performance Management Framework
 - Reporting
- Independent Overview
 - Internal and External Audit
 - Audit Committee
 - External Review – CQC, Ofsted

Future developments were reported as:-

- Develop risk assurance mapping
- Link Internal Audit Plan to Corporate Risks
- Develop a broader view of Partnership Risk

- Consider how devolution will effect Risk

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

- Councillor Walker referred to the Operational Risk Management Group and asked whether there are representatives from Children, Young People and Culture and Communities and Wellbeing on the group as these are responsible for vulnerable people.

Steve explained that there are 2 representatives from each department on the group.

- Councillor Whitby asked at what level risks are owned as it seemed quite high level rather than on the ground.

Steve explained that all staff and Members are encouraged to record and manage their own risks.

- Councillor Walker asked whether all staff are trained on the issue.

Steve explained that risk management is included as part of the staff induction. There are also risk champions within departments whose role was to ensure that all staff are aware of risks and how to manage them.

It was agreed:

That Steve be thanked for the presentation.

AU.662 MINUTES OF THE LAST MEETING

Delegated decision:

That the Minutes of the last Meeting held on 3 November 2015 be approved as a correct record and signed by the Chair.

AU.663 KPMG AUDIT PLAN

Rashpal Khangura, Engagement Lead, KPMG presented a report setting out the Plan for the work that KPMG would be undertaking relating to 2015/2016 in their role as the Council's External Auditors.

The plan covers two key areas of responsibility; Financial Statement Audit and Value for Money.

The other areas that the External Auditors will be undertaking work on are outlined within the report and includes the Council's Minimum Revenue Provision Policy, the New Model of Delivery in relation to the LATCo which has been established to deliver Adult Social Care Provider Services, and the Council's Investment Property Acquisition Strategy.

The report sets out the Audit fee which is reported as being 25% less than the

2014/2015 fee.

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

- Councillor Mallon referred to the flooding that had taken place over the Christmas Period and stated that the Council would have to find the balance between expectation and output in relation to support for these types of events. It would be difficult to measure this.

Delegated decision:

That the Draft External Audit Plan 2015/2016 be accepted.

AU.664 KPMG ANNUAL REPORT ON GRANTS & RETURNS WORK 2014/2015

Robert Fenton, KPMG, presented a report summarising the results of work that has been carried out by KPMG on the Council's 2014/2015 grant claims and returns.

The work completed for 2014/2015 in relation to grants and returns was reported as:-

- Council Housing Benefit Subsidy Claim
- Teacher Pension EOYCa Return
- Pooling of Housing Capital Receipts Return

It was reported that each of the 3 has received an unqualified opinion.

Delegated decision:

That the contents of the report be noted.

AU.665 FINANCIAL MONITORING REPORT. APRIL 2015 - SEPTEMBER 2015

The Interim Executive Director of Resources and Regulation, Steve Kenyon, 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 is projecting an overspend of £0.933m for the year based on spending and income information as at 30 September 2015.

- It was asked whether the Council would be able to claim back the costs incurred due to the floods that had occurred on Boxing Day.

Steve stated that once the costs have been quantified and the claims submitted he would bring a response back to the Committee.

- Councillor Walker referred to the reduction in car parking fees and asked

why this was happening?

It was explained that there were more private operators across Bury such as The Rock and the Millgate. There were also a number of private land owners who were renting out their land to park on for a cheaper daily rate. Plus people were avoiding paying car park charges by parking for free outside of the Town Centre.

Delegated decision:

That the contents of the report be noted.

AU.666 QUARTERLY GOVERNANCE STATEMENT APRIL TO SEPTEMBER 2015

The Head of Financial Management, Andrew Baldwin, presented Members with a report setting out the quarterly update on the Annual Governance Statement that had been approved by this Committee at its meeting on 15 July 2015.

The report gave a quarterly update on the Risk Register, Business Continuity, Budget Monitoring, the work of Internal Audit, the work of the Governance Panel, an update on Gifts and Hospitality and an update on Sickness Recording.

Appended to the report was the revised Corporate Risk Register which informed Members of the risk event and status.

It was explained that the appended register covered the Quarter 2 period of April 2015 to September 2015. The most up to date register would be forwarded to all Members following the meeting.

Also included within the report was an update of sickness absence statistics and the actions being taken to contribute to the reduction in the levels of sickness absence.

Councillor FitzGerald asked that the information on the table be changed to reflect the reduction to staffing levels and how this affected statistics.

Delegated decision:

That the contents of the report be noted.

AU.667 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.668 INTERNAL AUDIT PROGRESS REPORT APRIL 2015 TO SEPTEMBER 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 report be accepted.

AU.669 QUARTER 2 INTERNAL AUDIT REPORTS - 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 and queries. This included details of cash transactions occurring with a value over £1000, and those audits that have been revisited since the last meeting on 3 November 2015. All of the follow ups were carried out successfully and no issues had been identified.

Councillor Mallon referred to the information provided and asked that another column be added to show whether the recommendations accepted had been implemented.

Delegated Decision:

That the contents of the report be noted.

AU.670 INTERNAL AUDIT PLAN 2016/2017

Andrew Baldwin, Head of Financial Management, presented the Committee with the 2016/2017 Annual Plan.

The report set out the proposed Internal Audit Plan for the year 2016/2017.

Appended to the report was the methodology used to prepare the plan and a full breakdown of the plan itself.

Delegated decision:

That the 2016/2017 Internal Audit Annual Plan be endorsed.

COUNCILLOR J MALLON
Chair

(Note: The meeting started at 7.00 pm and ended at 8.40 pm)



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Interim Audit Report 2015/16

Bury Metropolitan Borough Council

April 2016

The contacts at KPMG in connection with this report are:

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Report sections

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This report is addressed to Bury Metropolitan Borough Council (the Council) has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The National Audit Office has issued a document entitled Code of Audit Practice. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

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 Council, 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 (on 0207 6948981, or 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.

This document summarises the key findings arising from our work to date in relation to both the audit of the Authority's 2015/16 financial statements and the 2015/16 VFM conclusion.

Scope of this report

This report summarises the key findings arising from:

- our interim audit work at Bury Metropolitan Borough Council (the Authority) in relation to the 2015/16 financial statements; and
- our work to support our 2015/16 value for money (VFM) conclusion up to March 2016.

Financial statements

Our *External Audit Plan 2015/16*, presented to you in January 2016, set out the four stages of our financial statements audit process.

During January to March 2016 we completed our planning and control evaluation work. This covered:

- review of the Authority's general control environment, including the Authority's IT systems;
- testing of certain controls over the Authority's key financial systems; and
- review of the Authority's accounts production process, including work to address prior year audit recommendations and the specific risk areas we have identified for this year.

VFM conclusion

Our *External Audit Plan 2015/16* explained our approach to VFM work, which follows guidance provided by the National Audit Office. We have completed our planning work to support our 2015/16 VFM conclusion. This included:

- considering the relevance and significance of any potential business risks faced by all local authorities, and other risks that apply specifically to the Authority;
- reviewing the linkages between the financial statements work and other audit work;
- the identification of any significant risks; and

- considering the work of other review agencies.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages in relation to the risks and areas of focus outlined within the audit plan.
- Section 3 sets out our key findings from our interim audit work in relation to the 2015/16 financial statements and follows up the recommendations made in our 2014/15 ISA260 report.
- Section 4 outlines our key findings to date from our work on the VFM arrangements work.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendix 2.

Acknowledgements

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

Significant Audit Risks

Revenue and capital consequences of December 2015 floods

- The Authority is continuing to assess the revenue and capital consequences of the flooding.
- Most recent information indicates that approved flood recovery payment applications total £863k. Government funding totalling £1.496m has been received but the Authority acknowledges that not all surveys have yet been undertaken. Calculations suggest that, based on average claims to date, the balance of funding available will be sufficient to cover remaining applications. However, if remaining applications to be reviewed are at the maximum level the funding shortfall is circa £600k.
- The infrastructure losses currently stand at and estimated £3m. Not all surveys are yet complete so the cost is subject to change.
- The Authority has received verbal assurances from Central Government that all costs will be reimbursed.
- During our financial statements audit work we will review the accounting treatment of the funding and expenditure to ensure that it is appropriately recorded in the accounts.

Other areas of audit focus

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 Code of Practice and DCLG guidance and confirm any transfer between reserves is compliant with legislation during our financial statements audit..

New model of delivery

- During our interim work we have reviewed the status of the new arrangements in place.
- As part of our financial statements audit work 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

- During our interim work we have undertaken a follow up of the recommendations made in our 2014/15 ISA260 in relation to property, plant and equipment. As part of this work we have also reviewed fixed asset classifications within the asset register.
- As part of our financial statements audit work we will ensure that investments appropriately accounted for and that adequate disclosure notes are included.

The Authority's overall process for the preparation of the financial statements is robust.

The Authority has implemented the majority of the high priority recommendations in our *ISA 260 Report 2014/15*.

Accounts production process

We issued our Accounts Audit Protocol to the Head of Financial Management at the start of February 2016. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work.

We continue to meet regularly with the Head of Financial Management to support the finance team during the financial year end closedown and accounts preparation.

As part of our interim work we specifically reviewed the Authority's progress in addressing the high priority recommendations in our *ISA 260 Report 2014/15*.

Key findings

We consider that the overall process for the preparation of your financial statements is robust. The processes have enabled the Authority to receive an audit opinion by 31 July for the past two years. The Authority is already compliant with the 2015 Accounts and Audit Regulations which require Local Authorities to publish audited financial statements by 31 July from 2018 onwards.

Given the issues encountered in previous years in relation to plant, property and equipment, we have specifically focussed on the progress made in relation to our 2014/5 recommendations whilst also undertaking our controls work during the interim audit.

The table below sets out the Authority's progress against all high priority recommendations.

Issue	Progress
Payroll – establishment lists: To ensure accuracy and completeness of payroll data, establishment lists should be issued on a monthly basis.	Establishment listings are now circulated on a bi-monthly basis. Testing determined that this control is operating effectively.
Purchase orders – authorised signatory list: An authorised signatory listing should be drawn up immediately.	An authorised signatory list for purchases outside of the P2P process is almost complete.
Assets under construction: The Authority needs to undertake a review of its policy and procedures for determining the process for categorisation of assets in the course of construction. The policy should also reflect the appropriate 'trigger' points for moving such assets from this category into other categories.	The asset under construction policy has been drawn up and agreed during 2015/16.



Issue	Progress
<p>Asset valuations:</p> <p>The Authority should review its processes to ensure that all assets are revalued within the five year timescale. As at 31 March 2015 819 assets had exceeded the timescale for revaluation.</p>	<p>The Authority is still behind schedule on asset revaluations. It has been proposed that the de minimis value for assets valuations be increased from £5,000 to £50,000 to be applied for the 2015/16 year end. However, that still leaves a number of assets greater than the de minimis value where there are no plans to revalue in year.</p> <p>In addition, the classification of assets in the asset register is misleading and there is a risk that assets could be incorrectly accounted for in the analysis within the financial statements.</p> <p>As a result of these findings plant, property and equipment is now an area of audit focus. Further work will be undertake with officers prior to compilation of the financial statements to evaluate the position. The results of this work will determine whether any revisions are required to our audit approach.</p>

VFM audit stage	Audit approach
VFM audit risk assessment	<p>We have considered the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority.</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. <p>There are no issues arising from this assessment to bring to your attention.</p>
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. At this stage we have not identified any concerns that have an impact on our risk assessment.</p>
Identification of significant risks	<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. At this stage we have not identified any significant risks.</p>
Assessment of work by other review agencies and Delivery of local risk based work	<p>Depending on the nature of any 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>We have not identified any significant risks that would give rise to the need for additional work to be undertaken.</p>

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Interim Director of Resources and Regulation
Bury Metropolitan Borough Council
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Knowlsey Street
Bury
BL9 0SW

Our ref **JB/RK/Let-528**

24 March 2016

Dear Steve

Annual audit fee 2016/17

I am writing to confirm the audit work and fee that we propose for the 2016/17 financial year at Bury Metropolitan Borough Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and Public Sector Audit Appointments Ltd's (PSAA's) published work programme and fee scales.

Planned audit fee

The planned audit and certification fees for 2016/17 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

Audit area	Planned fee 2016/17	Planned fee 2015/16
Code of Audit Practice audit fee	£116,730	£116,730
Certification of housing benefit grant claims	£5,483	£9,191

PSAA has set the 2016/17 scale fees for the audit at the same level as for 2015/16, thereby preserving the 25 per cent reductions that were applied that year which in turn was in addition to the savings of up to 40 per cent in scale audit fees and certification fees in 2012/13. The planned fee is in line with the scale fee. There has been a further reduction in the housing benefit certification fee.

As we have not yet completed our audit for 2015/16 the audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.



Redistribution of Audit Commission surplus

Following completion of the Audit Commission's 2014/15 accounts, PSAA received a payment in respect of the Audit Commission's retained earnings. PSAA will distribute this and any other surpluses from audit fees to audited bodies, on a timetable to be established by the PSAA Board.

This distribution will be made directly by PSAA and not via KPMG. Based on current information, PSAA anticipates that the amount of the redistribution is likely to be in the order of 15% of the scale fee.

Factors affecting audit work for 2016/17

We plan and deliver our work to fulfil our responsibilities under the Code of Audit Practice (the Code) issued by the National Audit Office (NAO). Under the Code, we tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting our audit responsibilities or financial reporting standards.

CIPFA/LASAAC has confirmed that the 2016/17 *Code of Practice on Local Authority Accounting in the United Kingdom* will adopt the measurement requirements of the CIPFA *Code of Practice on Transport Infrastructure Assets* for highways network assets. This change will require additional work in 2016/17 but PSAA has indicated that it is not appropriate to increase the scale fees to cover the costs of this work because the amount of work required at individual authorities will vary based on local circumstances. The fees for this additional work will therefore be discussed and agreed with you in due course and will be subject to PSAA's normal fee variation process. PSAA expects that the additional fees for a highways authority will be in the range £5,000 to £10,000, where authorities are able to provide the information required and the auditor is able to rely on central assurance of the valuation models in use. This amounts are indicative and therefore costs outside of this range may be necessary.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources and to do this we will undertake appropriate value for money (VFM) audit work. The 2016/17 fees have been set on the basis that the NAO's Code and supporting guidance does not change the level of work required on the VFM audit. Should this not be the case, or if new or increased significant VFM audit risks arise that require further audit work, additional fees will be necessary over and above the scale fee. Any such additional fees will be subject to approval through PSAA's fee variation process.

Certification work

As well as our work under the Code, we will certify the 2016/17 claim for housing benefit subsidy to the Department for Work & Pensions.



There are no longer any other claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

Assumptions

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued early next year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2. A statement of our independence is included at Appendix 3.

The proposed fee excludes any additional work we may agree to undertake at the request of Bury Metropolitan Borough Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

Our team

The key members of our audit team for the 2016/17 audit are:

Name	Role	Contact details
Rashpal Khangura	Director	rashpal.khangura@kpmg.co.uk 0113 231 3396
Jillian Burrows	Senior Manager	jillian.burrows@kpmg.co.uk 0161 246 4705
Robert Fenton	Assistant Manager	robert.fenton@kpmg.co.uk 0161 246 4686



KPMG LLP
Annual audit fee 2016/17
24 March 2016

Quality of service

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 me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Andy Sayers (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

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. h. Khangura', followed by a long, sweeping horizontal line.

Rashpal Khangura
Director, KPMG LLP



Appendix 1 – Audit fee assumptions

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2015/16;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2016/17 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by KPMG, PSAA, the NAO or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.



Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
External audit plan	January 2017
Interim audit report (as required)	April 2017
Report to those charged with governance (ISA260 report)	July 2017
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	July 2017
Opinion on Whole of Government Accounts return	July 2017
Annual audit letter	October 2017
Certification of grant claims and returns	January 2018



Appendix 3 – Independence & objectivity requirements

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 NAO'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.



KPMG LLP

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- 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.
- 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 March 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.

REPORT FOR DECISION

MEETING: **AUDIT COMMITTEE**

DATE: **20 APRIL, 2016**

SUBJECT: **QUARTERLY GOVERNANCE STATEMENT - APRIL to DECEMBER 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.
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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.
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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
	✓Chair		
Scrutiny	Cabinet	Committee	Council
		Audit 20/04/16	

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 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 19th January 2016.
- 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 Q3 statement (i.e. April to December 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 3 report is due to go to Cabinet on 24 February, 2016 and to Overview & Scrutiny Committee on 11 February 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 December 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 nine months have produced a total of 225 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 31 December 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 three 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	2015/16 Q3	% change Q2 to Q3
Communities & Wellbeing	11.4	12.1	13.8	13.9	14.9	+7.1
Resources & Regulation	6.1	7.0	7.0	8.0	7.5	-6.2
Children, Young People & Culture	10.9	7.99	8.5	8.4	8.5	+1.1
Total FTE days lost	9.3	10.2	9.4	9.5	9.6	+1.1

Note – the quarterly figures are calculated on a rolling 12 month basis and do not reflect the quarter in isolation. Therefore, the Q3 period for 2015/16 relates to the full year period of 1/1/15 to 31/12/15.

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, Q2 and Q3 have all 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 - October - December 2015 (Quarter 3)

Appendix A

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	1		Risk remains low as most cases have now been settled. To remain on register till exercise complete. Provision continues to be made in the Council's assessment of available balances.
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	3	12	16	12		The Council has a "live" Medium Term Financial Strategy (MTFS) covering the period to 2016/17. Details of the 2016/17 funding settlement now released (in draft); including indicative 4 year figures. Unlikely to be confirmed until February.
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	9		The Council has a good understanding of its cost base and pressures through robust budget monitoring, Star Chamber and Scrutiny processes. The overall scale of cuts required for 2016/17 and beyond will present significant challenges; coupled with demand / demographic pressures.
04	That the budget strategy does not reflect, or respond to, national policy developments, e.g. Council Tax Support scheme and changes to the	Steve Kenyon	4	2	8	8	8		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.

	Business Rates regime							appeals).
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	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 Council has now completed 3 investment property acquisitions in line with its approved "Property Investment Strategy".</p>
08a	That the Council fails to manage the expectations of residents and stakeholders in light of funding reductions	Mike Owen	3	3	9	12	9	<p>The Council has a well defined process for consultation and engaging with residents and stakeholders.</p> <p>A programme of Budget consultations has now taken place throughout the Borough at Township Forums for 2016/17.</p>
08b	That residents, service users and other stakeholders do not adapt to changes to service provision, e.g. behavioural change.		4	3	9	12	12	<p>Behaviour change e.g. self care, early intervention is key to managing demand.</p> <p>The Council is promoting this through many channels, however the impact needs to be monitored.</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	3	9	12	9	<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>
10	That changes resulting from the wider Welfare reform agenda impact adversely upon	Claire Jenkins	4	3	9	12	12	<p>Announcements in the Chancellor's July Budget have the potential to raise the impact of Welfare Reforms / Changes to</p>

	the public / vulnerable people.							<p>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	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	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>

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