

## AGENDA FOR

## AUDIT COMMITTEE

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**To: All Members of Audit Committee**

**Councillors :** D Jones, J Mallon (Chair), S Nuttall,  
D Silbiger, Sarah Southworth, R Walker, Whitby and  
S Wright

Dear Member/Colleague

### **Audit Committee**

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

<b>Date:</b>	Tuesday, 18 October 2016
<b>Place:</b>	Meeting Rooms A & B - Town Hall
<b>Time:</b>	7.00 pm
<b>Briefing Facilities:</b>	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.
<b>Notes:</b>	<b>There will be a pre meeting at 6.30pm in Committee Rooms A &amp; B</b>

## **AGENDA**

### **1 APOLOGIES FOR ABSENCE**

### **2 DECLARATIONS OF INTEREST**

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

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

The Minutes of the last meeting of the Audit Committee held on 19 July 2016 are attached.

### **4 MATTERS ARISING**

### **5 FINANCIAL MONITORING REPORT APRIL 2016 - JUNE 2016** *(Pages 7 - 14)*

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

### **6 QUARTERLY GOVERNANCE STATEMENT - APRIL TO JUNE 2016** *(Pages 15 - 20)*

A report from the Head of Financial Management is attached.

Quarterly Risk Register to follow.

### **7 ANNUAL AUDIT LETTER 2015/2016** *(Pages 21 - 28)*

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

### **8 EXCLUSION OF PRESS AND PUBLIC**

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

### **9 INTERNAL AUDIT PROGRESS REPORT - APRIL 2016 - JUNE 2016** *(Pages 29 - 40)*

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

### **10 MEMBERS' FEEDBACK** *(Pages 41 - 46)*

A report from the Head of Financial Management is attached.



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**Minutes of:                   AUDIT COMMITTEE**

**Date of Meeting:**   19 July 2016

**Present:**               Councillor J Mallon (in the Chair)  
Councillors D Jones, D Silbiger, Sarah Southworth, R Walker,  
Whitby and S Wright

**Also in attendance:**     Robert Fenton – KPMG  
Rashpal Khangura - KPMG

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

**Apologies for Absence:** Councillor S Nuttall

#### **AU.143       DECLARATIONS OF INTEREST**

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

Councillor Sarah Southworth declared a personal interest in any item relating to Six Town Housing as she is a Member of the Board of Directors. She also 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 Jones declared a personal interest in any item relating to the Department for Children, Young People and Culture as his wife is employed in a Bury School. Councillor Jones also declared an interest in any item relating to the Standards Committee as he was a member of that Committee.

Councillor Whitby declared a personal interest in any item referring to Bury Blind and Partially Sighted People and Communic8te Bury as she was a member of both.

#### **AU.144       MINUTES OF THE LAST MEETING**

**It was agreed:**

That the Minutes of the last meeting held on 20 April 2016 be approved as a correct record and signed by the Chair.

#### **AU.145       AUDITED STATEMENT OF ACCOUNTS 2015/2016 AND ISA 260 2015/2016**

The Head of Financial Management, Andrew Baldwin, presented a report providing Members with details of the Authority's Statement of Accounts for the financial year ended March 31 2016.

The pre-audited Statement of Accounts had been approved by the Responsible Finance Officer on 27 May 2016. This was undertaken on a dry-run for the introduction of the new Statutory deadlines which will commence for the

2016/2017 Statement of Accounts, which will require approval by the Responsible Finance Officer by the 31 May 2017. The accounts had since been audited and Members of the Audit Committee noted that:-

- Two adjustments had been identified;
- One recommendation had been made. The auditors had classified this as medium risk. Actions were being taken to address this;
- The quality of the Council's accounts and working papers have remained at a high level;
- For the third year the Council was able to present its audited accounts to Members 2 ½ months earlier than the statutory deadline and KPMG are to be thanked for their part in achieving this;
- A notice will be placed advertising the completion of the audit and how members of the public can access copies of the statement and summary of accounts.

Rashpal Khangura and Robert Fenton, representing KPMG, the Council's external auditors, presented the ISA 260 for 2015/2016 alongside the Statement of Accounts. The ISA 260 summarised the key findings from KPMG's work in relation to the financial statements for the year ending 31 March 2016 and their assessment of the Authority's arrangements to secure Value for Money in its use of resources.

It was explained that KPMG had substantially completed their work on the 2015/2016 financial statements and it was anticipated that an unqualified audit opinion would be issued by 31 July 2016.

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

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

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

- Councillor Walker referred to the figures relating to VER applications and asked whether there had been any compulsory redundancies.

It was explained that this information was set out on document pack pages 67 and 68 and showed that for 2015/2016 there had been no compulsory redundancies of teaching staff and 5 of non teaching staff.

- Councillor Whitby referred to the reduction in staff numbers and the fact that recruitment had been reduced and asked whether most of the staff were now at the top of their pay scales/

It was explained that the structure of the Council and the departments within it was constantly changing. Top of scales were always considered and factored into business cases.

- Councillor Silbiger referred to the increase of £5,000 to £50,000 for asset valuations and asked who authorised this change.

It was reported that the officers made the decision under guidance from KPMG and in consultation with the Lead Member. This issue was always under review across local authorities.

- Councillor Walker referred to Heritage Assets and asked whether the work in valuing this had been carried out.

It was explained that the Heritage Assets would not be included in the work carried out by KPMG but the valuation work had been completed.

- Councillor Whitby asked whether the Head of Property Services could be invited to a future meeting of the Audit Committee to explain their role and the work of their team.

**Delegated decision:**

1. That the final audited version of the Statement of Accounts for the 2015/2016 financial year be approved in line with the provisions of the Accounts and Audit Regulations 2015.
2. That the matters and issues arising from the audit and contained within the ISA (UK+I) 260 Financial Statement Report presented by KPMG be accepted.
3. That the letter of representation signed by the Interim Executive Director of Resources and Regulation and the Chair of the Audit Committee which was presented at the meeting be approved.
4. That KPMG be thanked for their support and advice during the audit process.

**AU.146 RISK MANAGEMENT ANNUAL REPORT**

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

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

It was explained that Risk Assessment Action Plan Registers (RAAP's) were used across departments to record identified risks and opportunities and the actions

being taken. The Council's risk management framework was outlined within the report and each of the department's progress against the risks was set out.

It was explained that as well as the department RAAP's there was also the Corporate RAAP which records the Council's most significant risks. The Corporate RAAP is reviewed continually by the Strategic Leadership Team.

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

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

- Councillor Whitby referred to the recent referendum and the decision to leave the European Union and asked whether there would be an impact on Bury Council.

It was explained that it was very early days and therefore too early to gauge any impact.

Steve Kenyon explained that the Council had sought securities from their brokers in regard to investments and had received reassurances. It was also reported to be the same opinion with regards to the pension fund.

## **Delegated Decision:**

1. That the Audit Committee re-affirms its support for the Council's approach to Risk Management.
2. That the progress made throughout 2015/2016 and the actions planned for 2016/2017 be noted.

## **AU.147 INTERNAL AUDIT ANNUAL REPORT 2015/2016**

The Head of Financial Management, Andrew Baldwin, presented a report summarising the work undertaken by the Internal Audit service during the 2015/2016 financial year and comparing it to the Audit Plan for the year.

The report contained an Audit Opinion which assessed the authority's control framework as "robust" and updated the Members on some of the issues facing the Internal Audit Service. It was also explained that the report would provide information to support the 2015/2016 Governance Statement, also on the agenda.

It was explained that 99% of the target chargeable days had been achieved by the Internal Audit Team, 66 final reports had been produced which contained 307 recommendations, none of which were high level. It was also reported that 99% of the recommendations had been accepted.

Appended to the report was a Review of the Effectiveness of Internal Control, an update on the Internal Audit Plan and Internal Audit Performance Indicators 1 April 2015 – 31 March 2016.



**Delegated decision:**

That the Audit Committee accept the report and endorse its suitability in support of the Governance Statement for 2015/2016.

**AU.148 ANNUAL GOVERNANCE STATEMENT 2015/2016**

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

It was explained that Bury Council had complied with the requirements of Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, in relation to the publication of a statement on internal control.

The Annual Governance Statement provides an assurance that the Governance Framework is operating effectively and reports any significant issues arising during the year. The Governance Framework comprises the systems, processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. The statement complies with CIPFA guidance and provides evidence that the Council has adopted CIPFA's six Core Principles.

The report also includes details of the key risks that the Council faced in 2015/2016, a review of the effectiveness of the governance framework including the system of internal control plus a copy of the latest Audit Commission VFM profiles, the governance arrangements in respect of group relationships and a number of the challenges facing the Council in 2016/2017.

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

**Delegated decision:**

That the Annual Governance Statement 2015/2016 be accepted.

**AU.149 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.150 REPORT ON THE EFFECTIVENESS OF THE AUDIT COMMITTEE 2015/2016**

Andrew Baldwin, Head of Financial Management, submitted a report summarising the work carried out by the Audit Committee over the 2015/2016 Municipal Year which showed the effectiveness of the Committee. Included in the report was a copy of one of the self-assessment checklists that had recently been sent out for Members to complete which helped to demonstrate that CIPFA guidance was being complied with.

Comments received from the self assessment checklists would be addressed both individually and collectively, where required, through the production of an action plan.

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

Members were asked to consider any topics that they would like the Audit Committee to consider for future training sessions and the following were put forward:-

Councillor Walker referred to the work of the Audit Committee and asked if it would be possible for the Committee to look at a specific project and monitor its progress from start to finish. He stated that he had asked a specific question in relation to the regeneration work being carried out in Radcliffe and wondered whether this could be the project.

It was explained that the work and remit of the Audit Committee was to consider the governance arrangements of the Council as a whole rather than individual projects.

Councillor Silbiger asked how the work of the Internal Audit Team was planned and it was explained that some of the work was cyclical, most was risk based and some was as and when required. Core systems were looked at every year and schools every 3 years.

The proposed Audit Plan for the following year is presented to the Committee at its January meeting and training will be given at that time.

## **Delegated decision:**

That the report be accepted.

**COUNCILLOR J MALLON**  
**Chair**

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

## REPORT FOR INFORMATION

**MEETING:** **AUDIT COMMITTEE**

**DATE:** **18<sup>th</sup> October 2016**

**SUBJECT:** **FINANCIAL MONITORING REPORT – APRIL 2016 TO JUNE 2016**

**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 **£6.395m** for the year based on spending and income information as at 30<sup>th</sup> June.

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

### IMPLICATIONS:

**Corporate Aims/Policy Framework:**

Do the proposals accord with Policy Framework? Yes.

**Comments of s151 Officer:**

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

prepared in accordance with all relevant Codes of Practice.

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

**Comments of Executive Director of Resources & Regulation:**

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

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

**Equality/Diversity implications:**

No

**Considered by Monitoring Officer:**

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

**Are there any legal implications?**

Yes

**Staffing/ICT/Property:**

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

**Wards Affected:**

All

**Scrutiny Interest:**

Overview & Scrutiny Committee

**TRACKING/PROCESS****DIRECTOR: Steve Kenyon**

Chief Executive/ Senior Leadership Team	Cabinet	Overview & Scrutiny	Council	Ward Members	Partners
19/7/16	7/9/16	13/10/16			

**1.0 INTRODUCTION**

- 1.1 This report is intended to allow the Committee to keep abreast of the authority's financial position and to gauge the effectiveness of corrective action that has been determined by the Cabinet and/or Scrutiny Committee.
- 1.2 This report summarises the forecast financial position as at the end of June 2016.

**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 (year end) 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 regular 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 30<sup>th</sup> June 2016 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.
- 3.2 It is appropriate to alert Members to potential pressures 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 30<sup>th</sup> June 2016:

<b>Department</b>	<b>Budget £'000</b>	<b>Forecast £'000</b>	<b>Variance £'000</b>
Communities & Wellbeing	69,820	73,260	<b>+3,440</b>
Resources & Regulation	3,079	4,443	<b>+1,364</b>
Children, Young People & Culture	35,449	38,841	<b>+3,392</b>
Non Service Specific	17,188	15,387	<b>(1,801)</b>
<b>TOTAL</b>	<b>125,536</b>	<b>131,931</b>	<b>+6,395</b>

- 3.4 The projected overspend of £6.395m represents approximately 5.09% of the total net budget of £125.536m, and compares to an overspend of £1.480m at this point last year.
- 3.5 An overview of the reasons for this variance is outlined in the table below;

<b>Reason</b>	<b>Communities &amp; Wellbeing  £'000</b>	<b>Children Young People &amp; Culture  £'000</b>	<b>Resources &amp; Regulation  £'000</b>	<b>Non Service Specific  £'000</b>	<b>TOTAL  £'000</b>
Demand Pressures	3,149	1,427	376	0	<b>4,952</b>
Delayed achievement of cuts options	1,314	1,811	0	0	<b>3,125</b>
Income Shortfall	1,334	0	1,241	0	<b>2,575</b>
Planned use of one-off funding	-2,325	0	0	0	<b>-2,325</b>
Other	-32	154	-253	-1,801	<b>-1,932</b>
<b>TOTAL</b>	<b>3,440</b>	<b>3,392</b>	<b>1,364</b>	<b>-1,801</b>	<b>6,395</b>

- 3.6 Due to the extremely difficult financial situation facing the Council in 2016/17 the Senior Leadership Team has therefore agreed and drawn up an action plan with some immediate additional spending controls over & above usual controls.

These include:

1. Recruitment freeze on staff and new agency placements (exceptions to be signed off by SLT);
2. Release of all existing casual / agency staff (exceptions to be signed off by SLT);
3. Cease overtime / additional hours (exceptions to be signed off by SLT);
4. Enter into no new training commitments, and review existing arrangements (exceptions to be signed off by SLT);
5. Re-launch Work Life Balance options around reduced hours / purchase of leave;

6. Cease spend on discretionary budgets; stationery, office equipment etc;
  7. Cease spend on IT / Communications (exceptions to be signed off by SLT);
  8. Any spend greater than £250 to be signed off by Executive Director;
  9. Any new contractual commitments greater than £5,000 (lifetime value of contract) to be signed off by SLT;
  10. Consider "in year" budget options – e.g. previously unidentified efficiencies, review of non-key services.
- 3.7 These were communicated to staff on 9 August and compliance with these will be monitored throughout the year. It is expected that these actions will not only help to reduce the financial burden facing the Council within the current year but also for the coming years.
- 3.8 It is estimated that these additional measures will reduce spend pressures by approximately £1.5 million; and this is reflected in the minimum level of balances assessment at section 3.16.
- 3.9 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

## Commitment Accounting

- 3.10 Further analysis of the month 3 figures highlights;

<b>Status</b>	<b>£'000</b>	<b>This Year %</b>	<i>Last Year %</i>
Spent @ 30/6/16	19.607	14.9	19.8
Committed @ 30/6/16	30.495	23.1	15.6
Forecast (1/7/16 – 31/3/17)	81.829	62.0	64.6
<b>Total</b>	<b>131,931</b>	<b>100.00</b>	100.00

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

## Balance Sheet Monitoring

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

<b>Indicator</b>	<b>Position at 1/4/16</b>	<b>Position at 30/6/16</b>
<b>Treasury Performance</b>		
Total Sums Invested	£22.6m	£25.6m
% Return on Investments*	0.71%	0.92%
Total Sums Borrowed	£196.0m	£191.5m

% Cost of Borrowing	3.95%	3.95%
<b>Assets</b>		
Stocks & Work in Progress	£1.482m	£1.412m
Long Term Debtors	£0.080m	£0.080m
Sundry Debtors	£48.516m	£13.716m
Cash	£4.925m	£3.097m
<b>Liabilities</b>		
Sundry Creditors	£39.222m	£4.589m
Short Term Provisions	£3.351m	£3.127m

*Note\* - compares to sector benchmark of 0.50%*

- 3.13 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.
- 3.14 From a monitoring perspective however they provide useful information, and trends can be plotted as the exercise is repeated in future quarters.

#### Procurement Activity

- 3.15 The table below summarises key performance indicators maintained by the Procurement Section;

<b>Indicator</b>	<b>Performance To Date</b>	<i>Performance Last Year</i>
%age of orders placed via automated purchasing system	93.29%	91.83%
%age of invoices received in electronic format	25.32%	10.75%
Cashable Procurement savings (Procurement Team)	£164,806	£20,628
%age spend in Bury Area	24.90%	15%
Number of Bury <b>suppliers</b> invited to bid via the “Chest”	34	53
Number of <b>contracts</b> Bury Suppliers invited to bid for via the “Chest”	46	92



## Minimum Level of Balances

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

	<b>£m</b>
<b>General Fund Balance 1st April 2016 per Accounts</b>	10.063
Less : Minimum balances to be retained in 2016/17	-4.250
Less : Forecast overspend	-6.395
Add : Forecast impact of in year measures	1.500
<b>Forecast available balances at 31<sup>st</sup> March 2017</b>	<b>0.918</b>

3.17 Based on the information contained in this report, on the risk assessments that have been made, on the forecast outturn position for 2016/17 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 £4.250m.

**S. Kenyon**  
**Interim Director of Resources & Regulation**

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***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

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## REPORT FOR DECISION

**MEETING:** **AUDIT COMMITTEE**

**DATE:** **18 OCTOBER, 2016**

**SUBJECT:** **QUARTERLY GOVERNANCE STATEMENT - APRIL to JUNE 2016**

**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 2016/17 Annual Governance Statement was approved by Audit Committee on 19 July 2016.

**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 (risk register to follow).

### IMPLICATIONS:

<b>Corporate Aims/Policy Framework:</b>	Do the proposals accord with Policy Framework? Yes.
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<b>Financial Implications and Risk Considerations:</b>	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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<b>Statement by Assistant Director of Resources &amp; Regulation (Finance &amp; Efficiency):</b>	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.
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**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 18/10/16	

**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 19 July 2016.
- 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 scheduled to meet in October 2016 to review the Q2 position.
- 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 last met on 27 September.
- 3.1.5 The Corporate Risk Register has been updated to reflect the latest high level risks facing the organisation; see Appendix A attached (to follow).

#### **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 Q1 statement (i.e. April to June 2016) provides a summary of spend to date and a forecast outturn for the year. This alerts Directors to any pressures which they are required to address.
- 3.3.3 As such, it is critical that forecasts are accurate, evidence based and have been through a rigorous quality assurance process.
- 3.3.4 The Quarter 1 report went to Cabinet on 7 September and to Overview & Scrutiny Committee on 13 October and will be reported in summary elsewhere on this agenda.

## **3.4      Work of Internal Audit**

- 3.4.1      The Internal Audit Section operates according to a risk based Audit Plan.
- 3.4.2      During the period April to June 2016, the section has examined the following fundamental financial systems;
- Main Accounting system;
  - Council tax;
  - Creditors;
  - Business Rates;
  - Housing Rent;
  - Cash and Banking;
  - Debtors;
  - Housing Benefit;
  - Treasury Management;
  - Payroll
- 3.4.3      The Internal Audit section produces reports which rank recommendations according to urgency / priority. The reports completed during the first quarter have produced a total of 70 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 met on 13 April and 7 July 2016; no concerns were raised which required specific reference in this update. The next meeting is scheduled for 11 October, 2016.

## **3.6      Sickness Update**

- 3.6.1      The Audit Committee has shown considerable interest in sickness absence, requesting absence data and action plan updates from Executive Directors.
- 3.6.2      The following tables contain the sickness absence figures per full time equivalent for the Council.
- 3.6.3      The first table shows the figures for the previous four departments over the last three financial years.
- 3.6.4      The second table shows the last two years plus the first quarter of 2015/16 figures based on the three new departments.

Department	2011/12 Full Year	2012/13 Full Year	2013/14 Full Year
Adult Care Services	16.8	15.1	13.6
Chief Executives	6.6	6.3	6.8
Children's Services	8.2	8.3	8.9
Communities & Neighbourhoods	8.6	9.6	10.8
<b>Total FTE days lost</b>	<b>9.4</b>	<b>9.4</b>	<b>9.8</b>

Department	2014/15 Full Year	2015/16 Full Year	2016/17 Q1	% change Q4 to Q1
Communities & Wellbeing	12.1	13.5	11.6	<b>-14.1</b>
Resources & Regulation	7.0	8.0	6.9	<b>-13.7</b>
Children, Young People & Culture	7.99	8.4	8.9	<b>+5.9</b>
<b>Total FTE days lost</b>	<b>10.2</b>	<b>9.3</b>	<b>9.2</b>	<b>-1.1</b>

*Note – the quarterly figures are calculated on a rolling 12 month basis and do not reflect the quarter in isolation. Therefore, the Q1 period for 2016/17 relates to the full year period of 1/7/15 to 30/6/16.*

- 3.6.5 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 and 2016/17 Q1 have both shown a reduction from 2014/15.
- 3.6.6 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**

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### **Background documents:**

Risk Registers

Internal Audit Reports

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

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# Annual Audit Letter 2015/16

**Bury Metropolitan Borough Council**

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October 2016



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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. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://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 ([andrew.sayers@kpmg.co.uk](mailto: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](mailto: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 Annual Audit Letter summarises the outcome from our audit work at Bury Metropolitan Borough Council in relation to their 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

<b>VFM conclusion</b>	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 19 July 2016. This means we are satisfied that during the year that Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.</p> <p>To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.</p>
<b>VFM risk areas</b>	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>We did not identify any significant areas of risk during our VFM audit work.</p>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on the Authority's financial statements on 19 July 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the Authority's Group, which consists of the Authority itself, Six Town Housing, Bury Townside Fields and Persona.</p>
<b>Financial statements audit</b>	<p>Our audit identified two audit adjustments with a total value of £4.755 million. The impact of the corrected audit adjustment is to increase the net worth of the Authority as at 31 March 2016 by £4 million. The one uncorrected audit difference identified of £0.755m related to the valuation of assets.</p> <p>We identified the following key financial statements audit risk in our 15/16 External audit plan issued in January 2016.</p> <ul style="list-style-type: none"> <li>— <i>Revenue and capital consequences of December 2015 floods</i> – we assessed the extent of the financial impact to the local authority and designed our audit procedures to ensure these were appropriately accounted for.</li> </ul> <p>We worked with officers throughout the year to discuss this key risk and our detailed findings are reported in section 3 of the ISA 260 Management Letter. There were no matters of any significance arising as a result of our audit work in this key risk area.</p>
<b>Annual Governance Statement</b>	<p>We reviewed your Annual Governance Statement and concluded that it was consistent with our understanding.</p>

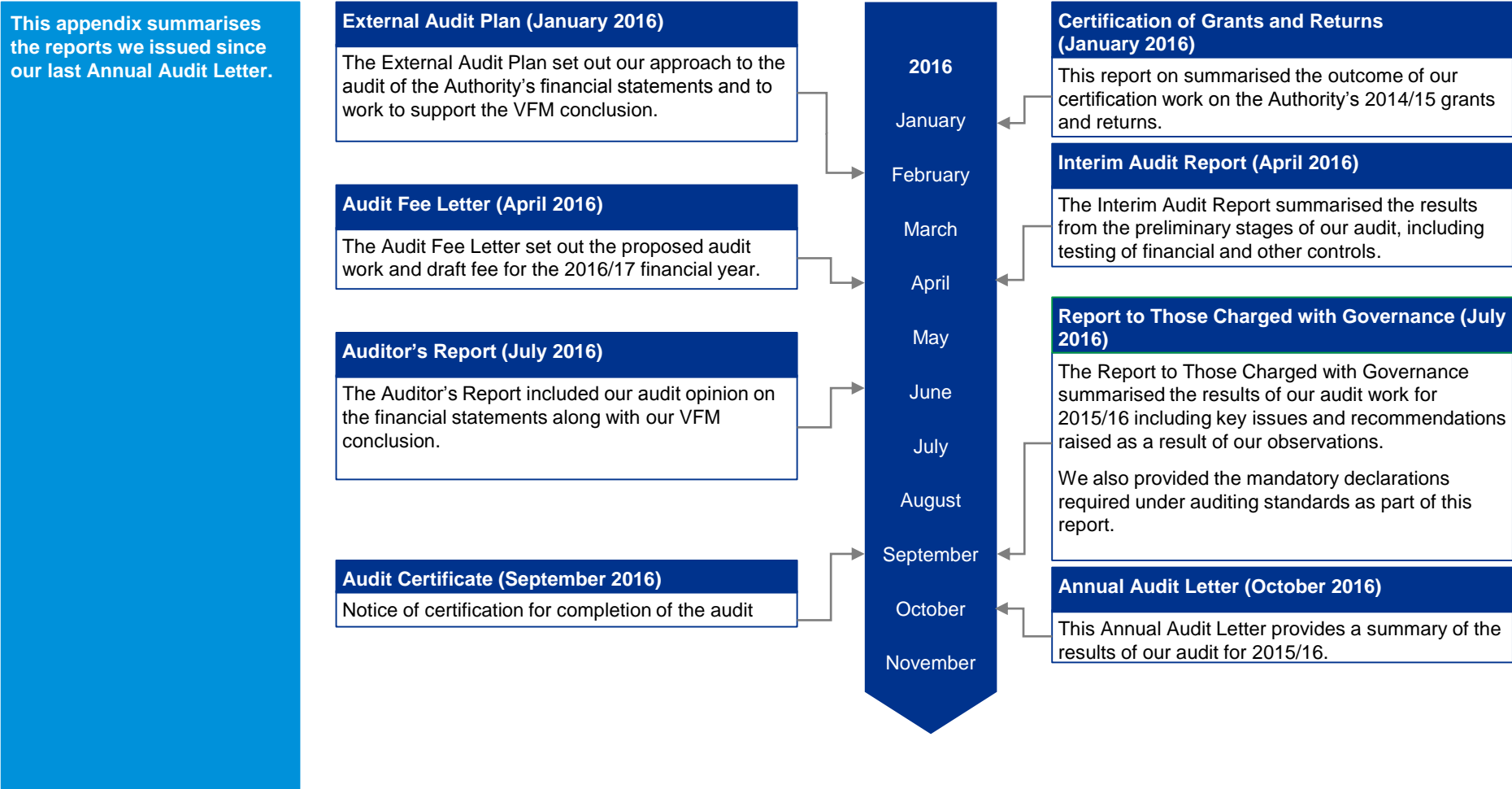
# Headlines (cont)

This Annual Audit Letter summarises the outcome from our audit work at Bury Metropolitan Borough Council in relation to their 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

Whole of Government Accounts	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.</p> <p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.</p>
Certificate	<p>We issued our certificate on 29 September 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit &amp; Accountability Act 2014 and the Code of Audit Practice.</p>
Audit fee	<p>Our fee for 2015/16 was £116,730, excluding VAT. Further detail is contained in Appendix 2.</p>

# Appendix 1: Summary of reports issued



## Appendix 2: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

### External audit

Our final fee for the 2015/16 audit Bury Metropolitan Borough Council was £116,730, which is in line with the planned fee.

### Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2017.

### Other services

For 2015/16 we are undertaking certification work on the Teachers Pensions Agency grant claim and the Pooling of Housing Capital Receipts. Both of these claims fall outside of the Public Sector Audit Appointment's certification regime. Whilst fees are still to be agreed they will not exceed £7k.

We also charged £9,090 for ad hoc piece of work on 2015-16 Fee Setting Cost of Care Exercise. This work was not related to our responsibilities under the Code of Audit Practice.





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