

**Minutes of:                   AUDIT COMMITTEE**

**Date of Meeting:**   25 January 2017

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

**Also in attendance:**   Andrew Baldwin - Head of Financial Management  
Steve Kenyon – Interim Executive Director of Resources and  
Regulation  
Rashpal Khangura – KPMG  
Jerri Lewis - KPMG

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

**Apologies for Absence:** Councillor S Nuttall

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#### **AU.513       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 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.

Councillor S Wright 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.

#### **AU.514       MINUTES OF THE LAST MEETING**

**It was agreed:**

That subject to the inclusion of Rashpal Khangura being in attendance the Minutes of the last meeting held on 18 October 2016 be approved as a correct record and signed by the Chair.

#### **AU.515       FINANCIAL MONITORING REPORT**

Steve Kenyon, the Interim Executive Director of Resources and Regulation presented a report updating 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'.

It was reported that the authority is projecting an overspend of £4.921m for the year, based on spending and income information as at 30 September 2016.

It was explained that the Authority's financial position is continually monitored throughout the year, monthly reports are considered by service management teams and summaries available to Cabinet Members. A monthly summary is submitted to the Senior Leadership Team and to the Cabinet Member for Finance and Human Resources.

Quarterly detailed monitoring reports are considered by the Senior Leadership Team, the Cabinet, Star Chambers and the Overview and 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.

It was explained that the projected overspend of £4.921m represents approximately 3.92% of the total net budget of £125.535m, and compares to an overspend of £6.395m at quarter 1.

An overview of the reasons for the variance was outlined in the report.

It was reported that due to the extremely difficult financial situation facing the Council in 2016/2017 the Senior Leadership Team had agreed and drawn up an action plan with some immediate additional spending controls over and above the usual controls:-

- Recruitment freeze on staff and new agency placements (exceptions to be signed off by SLT);
- Release of all existing casual/agency staff (exceptions to be signed off by SLT);
- Cease overtime/additional hours (exceptions to be signed off by SLT);
- Enter into no new training commitments and review existing training (exceptions to be signed off by SLT);
- Re-launch Work Life Balance options around reduced hours/purchase of leave;
- Cease spend on discretionary budgets; stationery, office equipment etc;
- Cease spend on IT/Communications (exceptions to be signed off by SLT);
- Any spend greater than £250 to be signed off by Executive Director;
- Any new contractual commitments greater than £5000 (lifetime value of contract) to be signed off by SLT;

- Consider “in year” budget options – e.g. previously unidentified efficiencies, review of non key services.

These controls had been in place since 9 August and compliance was being monitored.

In addition 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.

Work was being carried out in relation to procurement activity and the possibility of renegotiating contracts including ones that weren’t as yet up for renewal.

The month 6 report had been produced and showed the most recent figures. It was explained that the figures showed a “snapshot” of the Council’s Balance Sheet at a given point in time.

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

- Councillor Silbiger referred to the projected overspend at month 6 representing 3.92% of the total net budget and asked whether this was in line with previous years. Additionally, the actual spend was only 37.8% of total projection at month 6 and would this therefore not result in an underspend if projected on a straight line basis.

It was explained that different times of year brought different costs such as winter maintenance during the winter months and parks and countryside maintenance in the summer. The figures were compared to figures at the same time period last year and were in line with last years’ expenditure.

- Councillor Whitby asked which income streams within R & R were not performing as well as it had been hoped.

It was reported that car parking and leasing of commercial property were the main areas that were underperforming.

- Councillor Walker referred to the dates of the Audit Committee Meetings and asked whether they should be changed to allow for more timely reports.

It was explained that the timetable of meetings was currently being produced and the dates of the 2017/2018 Audit Committee Meetings had been aligned with Overview and Scrutiny and the Cabinet Meetings and also to allow for the fact that the accounts will have to be produced earlier and audited by the external auditors more quickly than was previously required.

## **AU.516 QUARTERLY GOVERNANCE STATEMENT**

The Head of Financial Management presented a report providing Members with a

quarterly update on the Annual Governance Statement which had been approved by the Audit Committee at its meeting on July 19 2016.

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

Appended to the report was the up to date Corporate Risk Register which informed Members of the risk event and status. The document was a live document that could be updated daily.

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

- Councillor Walker referred to the risks relating to the academisation of schools and asked whether this score should be higher.

Steve Kenyon explained that the score had been revised upwards from a score of 6 to 18.

- Councillor Jones stated that the risk in relation to trading services to schools and the income in relation to those services was significant and should be monitored.
- Councillor Walker asked who decided which risks were included on the Corporate Risk Register.
- It was explained that the register was reviewed by a number of different groups such as SLT, the Corporate Risk Management Group, the Operational Risk Management Group and the Audit Committee meetings.

**Delegated decision:**

That the contents of the report be noted.

**AU.517 ANNUAL REPORT ON GRANTS AND RETURNS 2015/2016**

Jerri Lewis, representing KPMG, presented a report summarising the results of work that has been carried out by KPMG on the Council's 2015/2016 grant claims and returns.

The work completed for 2015/2016 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.518 EXTERNAL AUDIT PLAN 2016/2017**

Rashpal Khangura, Engagement Lead, KPMG presented a report setting out the Plan for the work that KPMG would be undertaking relating to 2016/2017 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 Local Government Pension Scheme triennial valuation, the Agresso System upgrade and the Valuation of PPE.

The report sets out the Audit fee which is reported as being the same as the 2015/2016 fee.

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

- Councillor Silbiger referred to materiality and asked for this to be explained further.

Rashpal explained that the auditors were in a position to set materiality and it was reported that KPMG had set Bury's at 1.6% of the Council's gross expenditure which was £8.5m although any individual difference above £400,000 would be reported. It was also highlighted that the context and scale of the area being audited would also be taken into consideration.

- Councillor Jones referred to the Value For Money work that would be undertaken and asked whether any work would be done in relation to trading services to schools.

Rashpal explained that some pieces of work could be scaled up or down depending on scenarios at specific times.

**Delegated decision:**

That the Draft External Audit Plan 2016/2017 be accepted.

**AU.519 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.520 INTERNAL AUDIT PROGRESS REPORT**

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 2016/2017.

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, detailing trial reports issued since the last Audit Committee meeting and a suite of performance indicators.

**Delegated decision:**

That the contents of the report be noted

**AU.521 INTERNAL AUDIT 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 on large cash transactions and by providing follow-ups to audit that had been revisited since the Audit Committee meeting in October 2016.

**Delegated decision:**

That the contents of the report be noted

**AU.522 INTERNAL AUDIT PLAN 2017/2018**

Andrew Baldwin, Head of Financial Management, presented the Committee with the 2017/2018 Annual Plan.

The report set out the proposed Internal Audit Plan for the year 2017/2018.

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

**Delegated decision:**

That the 2017/2018 Internal Audit Annual Plan be endorsed.

**AU.523 APPOINTMENT OF EXTERNAL AUDITOR FROM 2018/2019**

Steve Kenyon presented a report outlining the options available for the appointment of External Audit when the current contract expires on 31 March 2018. The appointment needs to be made by 31 December 2017.

Steve Kenyon explained that there were three main options that were available and he took the Committee through each of the options.

Advantages and disadvantages for each option were included.

**Delegated Decision:-**

That the Audit Committee recommend that the Council approve option 3 as set out in the report:-

To accept the invitation from PSAA to opt-in to the national scheme for the appointment of External Audit for the five years commencing 1 April 2018.

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

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