

Minutes of: AUDIT COMMITTEE

Date of Meeting: 27 April 2017

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

Also in attendance: Jerri Lewis - KPMG

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

Apologies for Absence:

AU.705 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.

All Councillors declared personal interests in relation to any matters relating to schools of the Borough due to their roles as Councillor Governors.

AU.706 MINUTES OF THE LAST MEETING

It was agreed:

That subject the Minutes of the last meeting held on 25 January 2017 be approved as a correct record and signed by the Chair.

AU.707 ANNUAL AUDIT FEE LETTER

Jerri Lewis, KPMG, introduced the Annual Audit Fee 2016/17 report. The fee level is notified to the Council by April each year with the planned fee including a 25%

reduction. The proposals by KPMG included a risk-based approach to audit planning as set out in the Code of Practice and Public Sector Audit Appointments Ltd's (PSAA's) published work and fee scales.

Delegated decision:

That the report and planned fee be noted.

AU.708 FINANCIAL MONITORING REPORT

The Head of Head of Financial Management presented a report from the Interim Executive Director of Resources and Regulation 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 £2.831m for the year based on spending and income information as at 31 December 2016.

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

- Councillor Sarah Southworth referred to the income shortfall that was highlighted within the report and asked which council services this was referring to.

Andrew explained that this covered empty rental properties within the Millgate shopping centre and at Bury Business Centre and Bradley Fold and income from car parks.

- Councillor Southworth referred to charges for parking in Council run facilities and asked if a review of these would be carried out in the future. Councillor Southworth explained that it would be better to have full car parks charging less than empty ones making nothing.

It was explained that a review was being undertaken with regard to the level of charging and renewal of the business plan to maximise usage of council owned car parks.

- Councillor Walker asked whether the Audit Committee was in a position to oversee a review.

It was suggested that the Audit Committee refer their concerns to the Overview and Scrutiny Committee and ask that a report on their work be provided as an update to the Audit Committee.

- Councillor Wright referred to the planned use of one off funding that was set out in the outturn forecast summary and the amount that had been recorded by Children, Young People and Culture and asked what this was.

Andrew reported that he would update the Audit Committee in relation to this.

Delegated decision:

That the contents of the report be noted

AU.709 QUARTERLY GOVERNANCE STATEMENT

The Head of Financial Management submitted a report presenting a quarterly update on the Annual Governance Statement following the approval of the Annual Governance Statement on 19 July 2016. The report covered the areas of risk management, business continuity, budget monitoring, the work of Internal Audit, Governance Panel and sickness absence.

Councillor Walker referred to the risk register that would usually accompany the statement and asked whether this would be available to the Audit Committee.

It was explained that the Audit Committee had already received the current register at its last meeting. The year end draft register was due to be presented to the SLT at its meeting in June and it was suggested that the Audit Committee be sent the updated draft register at this time.

Delegated decision:

That the report be noted.

AU.710 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.711 2017/2018 INTERNAL AUDIT CHARTER; QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME; EXTERNAL PEER REVIEW REPORT AND ACTION PLAN

Andrew Baldwin presented a report setting out the Internal Audit Charter; Quality Assurance and Improvement Programme, External Peer Review Report and Action Plan.

It was explained that the Public Sector Internal Audit Standards (PSIAS) had come into force on 1 April, 2013.

These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.

A report was presented to Audit Committee in December 2013 outlining the details of the Standards.

Two of the Standards relate to:

- Internal Audit Charter;
- Quality Improvement and Assurance programme including an External Assessment.

One of the requirements of the Standards is to produce an Internal Audit Charter that defines the purpose of Internal Audit, its responsibilities and position within the Council. The Charter acts as a reference for measuring the effectiveness of Internal Audit.

The PSIAS provide details of how the Charter should comply with the Standards.

Amongst others, these include:

- Recognition of the mandatory nature of the PSIAS;
- Internal Audit's responsibilities, objectives and independence including accountability, reporting lines and relationships and arrangements for avoiding conflict of interest in non-audit activities;
- Definitions of the scope of Internal Audit activities, the terms 'board' and 'senior management' and the role of Internal Audit in counter fraud work;
- The role of Audit Committee and statutory officers with regard to internal audit;
- Internal Audit's remit across the control environment and rights of access to records, assets, personnel and premises.

It is also a requirement of the Standards that the Internal Audit Service produces a Quality Assurance and Improvement Programme (QAIP) that is designed to provide reasonable assurance to Audit Committee members that the Internal Audit Service:

- Performs its work in accordance with the Internal Audit Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
- Operates in an efficient and effective manner;
- Contributes to the Council's governance, risk management and control processes;
- Is adding value and continually improving Internal Audit's operations.

The QAIP includes both internal and external assessments for which the internal assessments are both ongoing and periodic (e.g. team briefings, supervision, review of working papers) and the external assessment must be undertaken at least once every five years. The initial self assessment against the Standards was undertaken in 2013 and this was also reported to Audit Committee in December 2013.

PSIAS require that an external assessment of the Council's internal audit function is carried out once every five years by a qualified, independent assessor or

assessment team from outside the organisation. This can be in the form of a full external assessment or a self-assessment with independent external validation.

The internal audit service of Bury Council was externally assessed in October 2016 by a peer review process that was established by the North West Chief Audit Executive's Group and the draft report was issued in December 2016 with details of the findings.

The overall judgement was that the service partially conforms to the Standards and a number of recommendations were made to enable the service to fully conform. An action plan has been put in place to address these.

Delegated decision:

1. That the Audit Committee approve the updated Internal Audit Charter.
2. That the Audit Committee approve the Quality Assurance Improvement Programme.
3. That the Audit Committee note the contents of the external peer review report and action plan.

AU.712 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 final reports issued since the last Audit Committee meeting and a suite of performance indicators.

Delegated decision:

That the contents of the report be noted

AU.713 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 on large cash transactions and by providing follow-ups to audit that had been revisited since the Audit Committee meeting in January 2017.

Delegated decision:

That the contents of the report be noted

AU.714 KPMG INTERIM AUDIT REPORT 2016/2017

Jerri Lewis representing KPMG presented the Interim Audit Report 2016/2017.

The report summarised the key findings arising from KPMGs interim audit work in relation to the Authority's 2016/2017 financial statements and KPMGs work to support their 2016/2017 value for money conclusion up to March 2017.

The work of KPMG had covered the following Audit Risks:-

- Significant changes in the pension liability due to the LGPS Triennial Valuation.
- Valuation of PPE
- Agresso System update

It was reported that no control weaknesses or deficiencies had been identified in relation to this work.

An additional significant risk in relation to the Fixed Asset Register Module Upgrade had been identified which required KPMG to carry out work. An initial review of the validation checks suggests that the upgrade had been successful.

It was reported that KPMG had noted the suspension of 3 members of the Leadership Team and they would be reviewing the Terms of Reference of the investigation; however, the issue was remote to the work of the auditors.

Jerri reported that the work in relation to the main financial statements audit would commence at the beginning of June 2017.

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

- Councillor Walker referred to the suspension of three senior officers and asked whether KPMG would be considering reputational risks to the Council around this.

Jerri explained that the external auditors remit was to review arrangements, processes and procedures and the outcomes from these.

Andrew Baldwin explained that acceptable interim arrangements were in place with regards to the senior leadership team and that the integrity of financial systems of the Council and the data therein were not in question in relation to this.

- Councillor Walker referred to fixed assets and asked whether this related to buildings and their condition with regard to maintenance etc.

It was explained that the audit work being undertaken was in relation to the register of assets and the system upgrade being undertaken. KPMG would be looking for assurance that no information was lost during this process.

Andrew Baldwin explained that the Council had upgraded to a new mainframe at the end of February. Internal Audit had been involved to ensure that the migration had been carried out properly and KPMG had looked at the Key Controls around this. No problems had been found.

Delegated decision

That the Interim Report be noted

COUNCILLOR J MALLON
Chair

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