

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:-

Date:	Thursday, 27 April 2017
Place:	Lancaster Room - Elizabethan Suite - 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 - 8)*

The Minutes of the last meeting of the Audit Committee held on 21 January 2017 are attached.

4 MATTERS ARISING

5 KPMG INTERIM AUDIT REPORT 2016/2017 *(Pages 9 - 18)*

A report from KPMG is attached.

6 ANNUAL AUDIT FEE LETTER *(Pages 19 - 26)*

The Annual Audit Fee letter is attached.

7 FINANCIAL MONITORING REPORT *(Pages 27 - 32)*

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

8 QUARTERLY GOVERNANCE STATEMENT *(Pages 33 - 38)*

A report from the Head of Financial Management is attached.
The Quarterly Risk Register will follow.

9 EXCLUSION OF PRESS AND PUBLIC

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

10 2017/2018 INTERNAL AUDIT CHARTER; QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME, EXTERNAL PEER REVIEW REPORT AND ACTION PLAN *(Pages 39 - 74)*

A report from the Head of Financial Management is attached.
The Internal Audit Charter 2017/2018 is attached.
The Internal Audit Quality Assurance and Improvement Programme 2017/2018 is attached.
The Peer Review of Internal Audit is attached

11 INTERNAL AUDIT PROGRESS REPORT *(Pages 75 - 86)*

A report from the Head of Financial Management is attached.

Appendix A attached

Appendix B attached

Appendix C attached

Appendix D attached

12 MEMBERS' FEEDBACK *(Pages 87 - 92)*

A report from the Head of Financial Management is attached.

Appendix attached

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**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)

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Interim Audit Report 2016/17

Bury Metropolitan Borough Council

April 2017



Contents

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in connection with this
report are:**

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Report sections

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- Headlines
- Interim audit
- VFM arrangements

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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).

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 (on 0207 694 8981, 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 3H.

This document summarises the key findings arising from our work to date in relation to the audit of the Authority's 2016/17 financial statements and the 2016/17 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 Authority's 2016/17 financial statements; and
- our work to support our 2016/17 value for money (VFM) conclusion up to March 2017.

Financial statements

Our *External Audit Plan 2016/17*, presented to you in January 2017, set out the four stages of our financial statements audit process.

During January to March 2017 we completed our planning and control evaluation work. This covered:

- review of the Authority's general control environment, including gaining an understanding of the Authority's IT systems and testing general IT controls;
- testing of certain controls over the Authority's key financial systems;
- review of relevant internal audit work to inform our risk assessment; 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 2016/17* explained our risk-based approach to VFM work, which is set out in the Code of Audit Practice and supporting guidance published by the NAO. We have completed some early work to support our 2016/17 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;

- considering the results of any relevant work by the Authority, inspectorates and other review agencies in relation to these risk areas; and
- identifying what additional risk-based work we will need to complete.

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 2016/17 financial statements and follows up the recommendations made in our 2015/16 ISA260 report.
- Section 4 outlines our key findings from our work on the VFM arrangements work.

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

Significant changes in the pension liability due to LGPS Triennial Valuation

- During the year, the Local Government Pension Scheme for Greater Manchester (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.
- The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.
- There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Tameside Metropolitan Borough Council who administer the Pension Fund.

Preliminary assessment and work undertaken

- As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data.
- We will also liaise with Grant Thornton who are the auditors of the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf to check the completeness and accuracy such data.
- This work will be carried out at final audit, we therefore have nothing to report at the date of writing this report.

Significant Audit Risks

Valuation of PPE

- The Council policy for asset revaluation is to 're-value sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years'. The NBV of the fixed assets as at 31 March 2016 was £584.2m.
- At the 31 March 2016, there were 46 assets which remained 'unvalued' (in line with rolling five year programme) due to resource constraints in property management. The results of these valuations were available as at the end of June, however these values because of the timing, were not incorporated into the financial statements. This resulted in an unadjusted misstatement of £755k.
- The Authority have made good progress developing their processes to ensure the programme of revaluation is up-to-date and the carrying value of the asset base is materially accurate. However, given the historical issues identified with fixed asset revaluations in the past and the significance of the value to the financial statements we have identified this as a significant audit risk.

Preliminary assessment and work undertaken

- We have held conversations with the Authority's internal valuer and capital accountant to discuss the approach to valuations for the 2016/17 accounts. They confirmed that the rolling valuation programme is progressing to plan and no issues are noted to date.
- As part of the year-end exercise, the Authority have agreed to carry out an impairment exercise in line Code requirements.
- We will review the output of the rolling valuation programme and impairment exercise at final audit.

Headlines messages – Audit risks (cont.)

Significant Audit Risks

Agresso System Upgrade

- The Authority have implemented a significant upgrade to their general ledger system, Agresso (now Unit 4), in February 2017.
- The upgrade involved data migration of financial data and for this reason we recognised this as a significant risk which is pervasive to the financial statements.

Preliminary assessment and work undertaken

- The Authority provided evidence of the working group in place to project manage the implementation and we have reviewed a sample of project highlight reports that monitored the risks and progress of implementation.
- Internal Audit have carried out testing to ensure the transfer of the ledger information is complete and accurate.
- We have reviewed the work of internal audit to inform our risk assessment and consulted with our internal Technology Risk Consulting (TRC) team to determine the approach to testing the data migration as part of the General IT controls testing.
- The upgrade timeline went to plan and no significant issues were identified during the upgrade. We reviewed and re-performed the work of internal audit and concluded the ledger data migration was complete and accurate.
- We have therefore satisfied ourselves that the financial information we will be relying on for the purpose of our audit is complete and accurate.

Additional Significant Audit Risk identified

Fixed Asset Register Module Upgrade

- The Authority informed us of their plan to upgrade the fixed asset register through the use of a fixed asset module in Unit 4. The Authority implemented the module in at the end of March 2017.
- The asset data was loaded twice into test environment, depreciation proposal run in test & sent to accountants to cross-check against their budgets. No issues were identified by the validation checks carried out by the Authority.
- The intention is depreciation for 2016/17 & year end postings will be run in Unit 4, the general ledger will be updated through the FA module and other movements for the year will also be captured through the module.

Preliminary assessment and work undertaken

- Our initial review of the validation checks suggest that the upgrade was successful.
- However, we are mindful that it is expected general ledger information which we will rely on for the purpose of the audit will be generated directly from the fixed asset module in Unit 4.
- We will therefore need to review the previous fixed asset register in detail and sample a number of assets to confirm the financial data transferred across is complete and accurate.
- Given this links to the significant risk identified over PPE (see page 4), we will need to assure ourselves that the impact of valuation exercise is appropriately reflected in the new fixed asset module and subsequent balance in the financial statements.
- This will form part of year end audit procedures in June 2017.

Controls over key financial systems



The controls over the majority of the key financial systems are sound.

However, the controls work is still in progress because it is appropriate for elements of this work to be carried out at final audit.

In addition to the controls work we will carry out substantive work at year-end.

Work completed

We have reviewed the outcome of internal audit's work on the financial systems in 2015/16 to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy. Internal Audit are in the process of carrying out key financial systems testing for 2016/17. This will be reviewed at final audit.

Where we have determined that this is the most efficient audit approach to take, we evaluate the design and implementation of the control and then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with your internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

Based on the work of your internal auditors, the controls over all of the key financial systems are sound.

We agree with the prior year assessments and are satisfied based on our review of the controls in place that they are sufficient to support our audit conclusion.

We have not yet assessed the controls over all audit areas. Many of the key controls in respect of these areas are operated during the closedown process and our testing will be supplemented by further work during our final accounts visit.

Financial system	Controls Assessment
Property, Plant and Equipment	In progress
Cash and Cash Equivalents	3
Pension Assets and Liabilities	In progress
Non pay expenditure	3
Payroll	3
Housing benefits expenditure	In progress
Business rates income	3
Council tax income	3
HRA rental income	In progress

Keys: 1 Significant gaps in the control environment.
 2 Deficiencies in respect of individual controls.
 3 Generally sound control environment

Interim audit findings and 2015/16 recommendations follow up



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

The Authority has implemented all of the recommendations in our *ISA 260 Report 2015/16*.

Accounts production process

We issued our Interim Accounts Audit Protocol to the Head of Financial Management at the start of February 2017. 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. The final Accounts Audit Protocol was shared at the start of April.

We will continue to meet with the Head of Financial Management to support them 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 recommendations in our *ISA 260 Report 2015/16*.

Key findings

The Authority continues to incorporate a number of measures into its closedown plan to improve the project management of this complex process.

We consider that the overall process for the preparation of your financial statements is robust.

The Authority has implemented all of the recommendations in our *ISA 260 Report 2015/16* relating to the financial statements in line with the timescales of the action plan. There were no high priority recommendations made in 2015/16.

Specific VFM risks

We have identified a number of specific VFM risks.

We will carry out additional risk-based work in the following areas:

- Financial Standing
- Ofsted Inspection

We have undertaken some work to date in response to these risks.

Work completed

In line with the risk-based approach, we have

- Assessed the Authority's key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- Considered the results of relevant work by the Authority, other inspectorates and review agencies in relation to these risk areas; and
- Concluded to what extent we need to carry out additional risk-based work.

We note the suspensions of the Chief Executive, Monitoring Officer and Director of Children's Services. We need to understand the scope of any independent review to form a view on whether there is any impact on our audit.

Key findings

Below we set out our interim assessment/preliminary findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We will report our final conclusions in our *ISA 260 Report 2016/17*.

Financial Standing

The Revenue budget approved by Council on 24 February 2016 identified the need to achieve savings of £11.58m in the year to 31 March 2017. At Month 6, the Authority's revenue position was showing a projected overspend of £4.92m. The main variances are due to demand pressures in Adult Social Care and Children's Services. The Authority expect to mitigate the overspend through use of general fund reserves and are identifying options for use of earmarked reserves. In addition, the budget consultation for the three year period 2017 to 2020 estimates further cuts amounting to £32m, with £13.3m of cuts expected in 2017/18. The Authority are therefore under great pressure to meet their financial targets with an ever reducing budget. There is a risk the Authority do not have the appropriate arrangements in place to deliver the required savings putting increasing pressure on the reserve balances in the future.

Preliminary assessment and work undertaken

At M9, the projected overspend had improved from the M6 position to £2.83m. This has resulted from strict spending controls implemented by the senior management. We have assessed the controls for monitoring financial performance and the appropriateness and reliability of the information used through our higher level budgetary controls testing. We have concluded that the Authority has appropriate arrangements in place for monitoring financial performance.

We are currently reviewing the 2017/18 and 18/19 savings to see how well developed they are. This will involve assessing the arrangements in place for identifying potential savings at the Authority and whether an appropriate governance structure exists to manage this process effectively to support informed decision making.

Specific VFM risks (cont.)

Ofsted Inspection

The Cabinet Member (Children and Families) submitted a report to the June Overview and Scrutiny Committee, presenting the findings of an Ofsted inspection of Bury Council Children's Services for children in need of help and protection, looked after children and care leavers. The inspection took place over a four week period during February and March 2016. The inspection found that there were no widespread or serious failings that may result in or leave children being harmed or at risk of harm. However, the report included eleven recommendations to assist the Council in preparing an action plan to ensure all services to children and young people are rated 'good' or 'outstanding'. There is a risk the Authority does not have appropriate arrangements in place to ensure delivery against the action plan, failure of which could impact performance and reputation.

Preliminary assessment and work undertaken

We will assess what processes have been put in place to manage the delivery of the action plan including how the Authority monitors performance against it. This will involve understanding the governance arrangements in place to and determining how effective these are.



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Our ref Rkjl190417

Contact Jerri Lewis
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19 April 2017

Dear Steve

Annual audit fee 2017/18

I am writing to confirm the audit work and fee that we propose for the 2017/18 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 2017/18 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

Audit area	Planned fee 2017/18	Planned fee 2016/17
Audit fee – Bury Metropolitan Borough Council	£116,730	£116,730
Certification of housing benefit grant claim	£8,483 ¹	£8,483

PSAA has set the 2017/18 scale fees at the same level as for 2015/16 and 2016/17, thereby preserving the 25 per cent reductions in cash terms that were applied to those years which in turn were in addition to the savings of up to 40 per cent in scale audit fees and certification fees in 2012/13. This equates to a real terms saving of 61 per cent over this period. The 2017/18 planned fee is in line with the scale fee.

¹ Indicative certification fee based on 2016/17 planned fee



As we have not yet completed our audit for 2016/17 the audit planning process for 2017/18, 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

PSAA plans, during the course of 2017/18, to make a distribution of surplus funds to principal local government and police bodies. The distribution is made possible by the transfer of an element of the Audit Commission's retained earnings prior to its closure in March 2015 and by PSAA continuing to generate surplus funds and make further efficiencies since its establishment.

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 2017/18

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.

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 2017/18 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 2017/18 claim for housing benefit subsidy to the Department for Work & Pensions (DWP).

The 2017/18 subsidy claim will be the final year for which PSAA will make arrangements for auditors to undertake housing benefit subsidy certification work. After the end of the transitional arrangements and the current audit contracts, PSAA has no legal power or remit in relation to assurance on claims or returns. The DWP is developing its own assurance arrangements from 2018/19 and has issued further



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guidance directly to local authorities. We will liaise with the Council over the future approach to this work as details emerge.

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, we 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.

Beyond 2017/18

The 2017/18 audit will be the last under the current transitional arrangements whereby PSAA is responsible for managing the audit contracts novated to it from the Audit Commission upon its closure in March 2015.

For audits of the accounts from 2018/19, the provisions of the Local Audit & Accountability Act 2014 in relation to local appointment of auditors take effect. The Secretary of State for Communities and Local Government has specified PSAA as the



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appointing person for principal local government and police bodies. PSAA will therefore appoint auditors and set scale audit fees for bodies that have opted into its national scheme.

Our team

The key members of our audit team for the 2017/18 audit are:

Name	Role	Contact details
Rashpal Khangura	Director	Rashpal.Khangura@kpmg.co.uk 0113 231 3396
Jerri Lewis	Manager	Jerri.Lewis@kpmg.co.uk 0161 618 7359
Sarah Bafarea	Assistant Manager	Sarah.bafarea@kpmg.co.uk 07775 817 861

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

Rashpal Khangura
Director, KPMG LLP



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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 2016/17;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA Code of Practice on Local Authority Accounting within your 2017/18 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you (note that 2017/18 is the first year in which the 'faster close' timetable applies whereby the deadline for draft accounts moves to the end of May and the deadline for publishing audited accounts moves to the end of July);
- 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.

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 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.



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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 2018
Interim audit report	April 2018
Report to those charged with governance (ISA260 report)	July 2018
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	July 2018
Opinion on Whole of Government Accounts return	TBC
Annual audit letter	TBC
Certification of grant claims summary report	TBC



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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. The APBs Ethical Standard 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.



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- Audit staff are expected not to accept appointments as Governors at certain types of schools within a local authority area.
- 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 April 2017 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 INFORMATION

MEETING: **AUDIT COMMITTEE**

DATE: **27th April 2017**

SUBJECT: **FINANCIAL MONITORING REPORT – APRIL 2016 TO DECEMBER 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 **£2.831m** for the year based on spending and income information as at 31st December.

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.

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 known budget hotspots exist, and remedial action continues to be taken.

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
	22/2/17	16/2/17			

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 December 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 & Human Resources.

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, Joint Cabinet / SLT meetings 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).

3.0 FINANCIAL POSITION

- 3.1 The authority's overall financial position based on forecasts made using income and expenditure information as at 31st December 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 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 31st December 2016:

Department	Budget £'000	Forecast £'000	Variance £'000
Communities & Wellbeing	69,873	72,299	+2,426
Resources & Regulation	3,396	4,257	+861
Children, Young People & Culture	35,323	37,894	+2,571
Non Service Specific	16,943	13,916	(3,027)
TOTAL	125,535	128,366	+2,831

- 3.4 The projected overspend of £2.831m represents approximately 2.25% of the total net budget of £125.535m, and compares to an overspend of £6.395m at quarter 1.
- 3.5 An overview of the reasons for this variance is outlined in the table below;

Month 9 Reason	Communities & Wellbeing £'000	Children Young People & Culture £'000	Resources & Regulation £'000	Non Service Specific £'000	TOTAL £'000
Demand Pressures	3,734	2,567	429	290	7,020
Delayed Achievement of Cuts Options	2,175	0	0	0	2,175
Non-Achievement of Cuts Options	0	333	52	0	385
Income Shortfall	264	0	1,173	0	1,437
Planned use of one-off funding	-2,625	257	0	0	-2,368
Continued Impact of 10 Control Measures	-1,122	-586	-793	0	-2,501
Other	0	0	0	-3,317	-3,317
TOTAL	2,426	2,571	861	-3,027	2,831

- 3.6 Due to the extremely difficult financial situation facing the Council in 2016/17 the Senior Leadership Team agreed and drew 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.

Commitment Accounting

3.8 Further analysis of the month 9 figures highlights;

Status	£'000	%
Spent @ 31/12/16	89,153	69.5
Committed @ 31/12/16	32,738	25.5
Forecast (1/1/17 – 31/3/17)	6,475	5.0
Total	128,366	100.0

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

Balance Sheet Monitoring

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

Indicator	Position at 1/4/16	Position at 30/6/16	Position at 30/9/16	Position at 31/12/16
Treasury Performance				
Total Sums Invested	£22.6m	£25.6m	£28.8m	£33.8m
% Return on Investments*	0.71%	0.92%	0.83%	0.47%
Total Sums Borrowed	£196.0m	£191.5m	£196.5m	£196.3m
% Cost of Borrowing	3.95%	3.95%	3.95%	3.95%
Assets				
Stocks & Work in Progress	£1.482m	£1.412m	£0.836m	£0.836m
Long Term Debtors	£0.080m	£0.080m	£0.080m	£0.080m
Sundry Debtors	£48.516m	£13.716m	£13.401m	£18.607m
Cash	£4.925m	£3.097m	£3.954m	£3.657m
Liabilities				
Sundry Creditors	£39.222m	£4.589m	£1.805m	£2.743m
Short Term Provisions	£3.351m	£3.127m	£3.113m	£3.107m

Note - compares to sector benchmark of 0.25%*

- 3.11 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.
- 3.12 From a monitoring perspective however they provide useful information, and trends can be plotted as the exercise is repeated in future quarters.

Procurement Activity

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

Indicator	Performance To Date	<i>Performance Last Year</i>
%age of orders placed via automated purchasing system	89.84%	91.83%
%age of invoices received in electronic format	12.33%	10.75%
Cashable Procurement savings (Procurement Team)	£434,884	£20,628
%age spend in Bury Area	28.50%	15%
Number of Bury suppliers invited to bid via the “Chest”	59	53
Number of contracts Bury Suppliers invited to bid for via the “Chest”	72	92

Minimum Level of Balances

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

	£m
General Fund Balance 1st April 2016 per Accounts	10.063
Less : Minimum balances to be retained in 2016/17	-4.250
Less : Forecast overspend	-2.831
Forecast available balances at 31st March 2017	+2.982

- 3.15 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

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

REPORT FOR DECISION

MEETING: **AUDIT COMMITTEE**

DATE: **27 APRIL, 2017**

SUBJECT: **QUARTERLY GOVERNANCE STATEMENT - APRIL to DECEMBER 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:

Corporate Aims/Policy Framework:	Do the proposals accord with Policy Framework? Yes.
---	---

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.
--	---

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
Scrutiny	Cabinet	Committee	Council
		Audit 27/04/17	

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 A review has taken place of the risk management process which now provides for the reporting against assurance measures, improves alignment between financial, performance and risk management and introduces an additional risk score focussing on the “proximity” of the risk. The format of risk registers at both Corporate and Departmental levels now incorporate these changes.
- 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 met in October 2016 and their next meeting is scheduled to take place following the Corporate Risk Management Group meeting.
- 3.1.4 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 14th March 2017.
- 3.1.5 The Corporate Risk Register has been updated to reflect the latest high level risks facing the organisation.

3.2 Business Continuity

- 3.2.1 The Corporate Business Continuity Plan has been updated to take account of the Council Emergency Response Plan for 2017/18. All services are in the process of reviewing their Business Continuity Plans with a completion date of 28th April 2017. A full review of critical services is also taking place across the Council with a completion date of the 28th April 2017.
- 3.2.2 A Business Continuity Planning Database has been developed to host these plans on the Intranet, and ensure appropriate arrangements are in place where services are inter-dependant.
- 3.2.3 Priority is on ensuring all new departmental structures and their respective 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 arrangements.

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 2016) provides a summary of spend to date and a forecast outturn for the year. This continues to alert 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 went to both Cabinet and Overview & Scrutiny Committee on 22 February and 16 February respectively 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 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 188 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 last met on 7 February, 2017 and no concerns were raised which required specific reference in this update. The next meeting is scheduled for 13 April, 2017.

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 table contain the sickness absence figures per full time equivalent for the Council.

Department	2014/15 Full Year	2015/16 Full Year	2016/17 Q1	2016/17 Q2	2016/17 Q3	% change Q2 to Q3
Communities & Wellbeing	12.1	13.5	11.6	11.8	11.0	-6.7
Resources & Regulation	7.0	8.0	6.9	7.3	6.6	-9.6
Children, Young People & Culture	7.99	8.4	8.9	9.4	8.8	-6.4
Total FTE days lost	10.2	9.3	9.2	9.6	8.9	-7.3

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 2016/17 relates to the full year period of 1/01/16 to 31/12/16.

- 3.6.3 The sickness levels remained relatively constant per days lost per FTE for the last three years although Q3 has shown a slight reduction.
- 3.6.4 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

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

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