

## 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, S Walmsley, M  
Whitby and S Wright

Dear Member/Colleague

### **Audit Committee**

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

<b>Date:</b>	Tuesday, 5 December 2017
<b>Place:</b>	Lancashire Fusiliers Room - Town Hall
<b>Time:</b>	7.00 pm
<b>Briefing Facilities:</b>	If Opposition Members and Co-opted Members require briefing on any particular item on the Agenda, the appropriate Director/Senior Officer originating the related report should be contacted.
<b>Notes:</b>	

## **AGENDA**

### **1 APOLOGIES FOR ABSENCE**

### **2 DECLARATIONS OF INTEREST**

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

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

The Minutes of the last meeting of the Audit Committee held on 18 September 2017 are attached.

### **4 MATTERS ARISING**

### **5 FINANCIAL MONITORING REPORT**

A report from the Interim Executive Director of Resources and Regulation will follow.

### **6 QUARTERLY GOVERNANCE STATEMENT - APRIL 2017 TO SEPTEMBER 2017** *(Pages 7 - 12)*

A report from the Head of Financial Management is attached.

### **7 ANNUAL AUDIT LETTER 2016/2017** *(Pages 13 - 20)*

The Annual Audit Letter from KPMG is attached

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

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

### **9 INTERNAL AUDIT PROGRESS REPORT** *(Pages 21 - 28)*

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

### **10 MEMBERS' FEEDBACK** *(Pages 29 - 34)*

A report from the Head of Financial Management is attached.

### **11 URGENT BUSINESS**



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**Minutes of:**           **AUDIT COMMITTEE**

**Date of Meeting:**   18 September 2017

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

**Also in attendance:**       Robert Fenton - KPMG

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

**Apologies for Absence:** Councillor S Nuttall and Councillor D Silbiger

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## **AU.92       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 and Townside Fields as her husband's accountancy business has been awarded the contract to both companies.

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 is a member of both.

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

## **AU.93       MINUTES OF THE LAST MEETING**

It was agreed that the Minutes of the last meeting held on 20 July 2017 be approved as a correct record and signed by the Chair.

## **AU.94       RISK MANAGEMENT ANNUAL REPORT 2016/2017**

The Interim Executive Director of Resources and Regulation, Steve Kenyon, presented a report from Councillor Eamonn O'Brien Cabinet Member for Finance and Housing.

The report provided Members with details of risk management activity that had taken place over the past 12 months. The report also outlined risk management

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policies and the key issues that would be addressed during the coming financial year.

It was explained that Risk Assessment Action Plan Registers (RAAP's) were used across departments to record identified risks and opportunities and the actions being taken. The Council's risk management framework was outlined within the report and each of the department's progress against the risks was set out.

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

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

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

- Councillor Walmsley referred to the Council Tax Support Scheme and asked questions in relation to this:

Had there been any increase of requests for support?

What is the current position in relation to residents' in arrears?

- Councillor Walmsley referred to the Social Care Precept and asked how this was invested and how it was being prioritised. Councillor Walmsley also asked what the waiting time was for older people to get care packages in place.

Steve Kenyon explained that the precept was invested straight into Adult Care. One main areas highlighted was around delayed discharges.

- Councillor Walmsley referred to the 59 weeks' that was reported as being the waiting time for therapists to visit in relation to adaptations.

Steve explained that adaptations wouldn't be funded from the precept but he would make some enquiries in relation to this.

- Councillor Walker referred to the recent reports around delayed discharge and the Better Care Fund and stated that he would be asking questions in relation to this at the next meeting of the Health Scrutiny Committee.

Robert Fenton, Assistant Director of Resources explained that the Council jointly with the CCG should carry out due diligence to ensure that outcomes are achieved and quality improved.

- Councillor Walker referred to paragraph 1.3 of the report and stated that he thought the money referred to had been received.

Steve stated that this money had now been received.

- Councillor Walker referred to the Greater Manchester Devolution agenda and the transformation bid. Councillor Walker stated that he agreed that this should be on the risk register and he was concerned that Bury could get overlooked and not receive what is equitable.
- Councillor Walker referred to the control measures mentioned on page 9 of the report and asked whether these were still in place.

Steve reported that the measures referred to were still in place.

- Councillor Walker referred to the reduction in services and the fact that the Council would have to manage the expectations of its residents.

It was explained that there were a number of initiatives being launched and different ways of working.

**Delegated Decision:**

1. That the Audit Committee re-affirms its support for the Council's approach to Risk Management.
2. That the progress made throughout 2016/2017 and the actions planned for 2017/2018 be noted.

**AU.95 FINANCIAL MONITORING REPORT APRIL 2017 TO JUNE 2017**

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 that the authority is projecting an overspend of £3.651m for the year, based on spending and income information as at 30 June 2017.

It was explained that the Authority's financial position is continually monitored throughout the year, monthly reports are considered by departmental 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.

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.

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The projected overspend of £3.651m represents approximately 2.70% of the total net budget of £135.330m, and compares to an overspend of £6.395m at quarter 1 last year.

An overview of 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 remain in place for 2017/18 and compliance with these is monitored throughout the year

It was explained that the report being presented showed month 3 figures so the situation will have moved on. The month 6 report would be produced over the coming weeks and would show the most recent figures.

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

- Councillor Walker referred to reputational risk and issues that were still ongoing and costing the Council money. Councillor Walker asked where the money for this was coming from.

Steve reported that the Council had received information in relation to this at the meeting of Council on 20 July 2017. The money referred to had come from Council reserves.

- Councillor Walker asked at what point were the 10 measures monitored.

It was explained that the measures were continually monitored.

## **Delegated Decision:**

That the contents of the report be noted.

#### **AU.96 QUARTERLY GOVERNANCE STATEMENT APRIL 2017 TO JUNE 2017**

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.

The up to date Corporate Risk Register was tabled at the meeting and informed Members of the risk event and status. It was explained that the Risk Register had been updated to reflect the most current high level risks facing the organisation.

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

- Councillor Mallon referred to the sickness levels of the Council staff and the fact that they had remained fairly steady. Councillor Mallon stated that it was worth noting the hard work and dedication of the staff.
- Councillor Walmsley referred to stress levels within the work force and stated that relationships with the unions and the Council need to be maintained. The Council needs to work positively to manage health and wellbeing at work.

#### **Delegated decision:**

That the contents of the report be noted.

#### **AU.97 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.98 INTERNAL AUDIT PROGRESS REPORT**

The Audit Manager presented a report updating Members on the work being carried out by Internal Audit, as measured against the Annual Plan for 2017/18. Appended to the report were details of work carried out and audit reports issued, and any significant items were highlighted in the report.

**Delegated decision:**

That the report be accepted.

**AU.99 MEMBERS' FEEDBACK**

The Audit Manager presented 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 September 2017.

**Delegated decision:**

That the contents of the report be noted.

**AU.100 PROCUREMENT OF EXTERNAL AUDIT SERVICES**

Steve Kenyon provided a verbal update on the procurement of External audit services under the Public Sector Audit Appointments arrangement.

This will represent a change of Auditors for the Council who currently use KPMG

It was reported that new arrangements will be confirmed in December 2017.

**Delegated decision:**

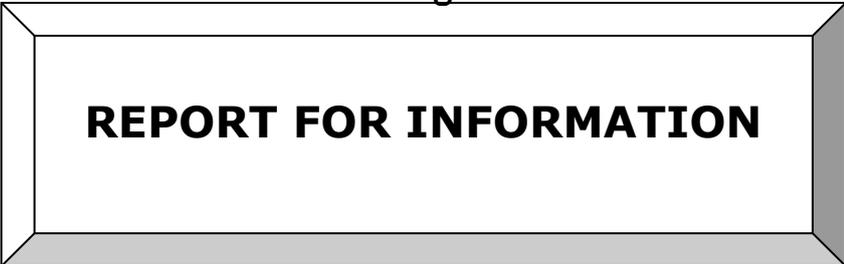
That the information be noted

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

**(Note: The meeting started at 7.00 pm and ended at 8.10 pm)**



<b>Agenda Item</b>	
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**MEETING:** **AUDIT COMMITTEE**

**DATE:** **5 December 2017**

**SUBJECT:** **FINANCIAL MONITORING REPORT – APRIL 2017 TO SEPTEMBER 2017**

**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 **£3.491m** for the year based on spending and income information as at 30<sup>th</sup> September.

**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
	15/11/17	22/11/17			

## 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 September 2017.

## 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). Star Chambers have also taken place to consider the month 6 position.

## 3.0 FINANCIAL POSITION

- 3.1 The authority's overall financial position based on forecasts made using income and expenditure information as at 30th September 2017 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 30<sup>th</sup> September 2017:

Department	Budget £000	Forecast £000	Variance £000
<b>Communities &amp; Wellbeing</b>	78,059	79,440	<b>+1,381</b>
<b>Resources &amp; Regulation</b>	(752)	775	<b>+1,527</b>
<b>Children, Young People &amp; Culture</b>	30,203	33,485	<b>+3,282</b>
<b>Non Service Specific</b>	27,820	25,121	<b>(2,699)</b>
<b>TOTAL</b>	<b>135,330</b>	<b>138,821</b>	<b>+3,491</b>

3.4 The projected overspend of £3.491m represents approximately 2.58% of the total net budget of £135.330m, and compares to an overspend of £3.651m at quarter 1, and £4.921m at this point last year.

3.5 An overview of the reasons for this variance is outlined in the table below;

Month 6 Variance	Children Young People & Culture	Communities & Wellbeing	Resources & Regulation	Non Service Specific	TOTAL
Reason	£'000	£'000	£'000	£'000	£'000
Demand Pressures	2,600	3,976	0	713	<b>7,289</b>
Delayed Achievement of Cuts Options	763	1,578	154	0	<b>2,495</b>
Non-Achievement of Cuts Options	569	0	52	0	<b>621</b>
Income Shortfall	0	131	1,474	0	<b>1,605</b>
Planned use of one-off funding	0	(3,847)	0	0	<b>(3,847)</b>
Continued Impact of 10 Control Measures	(100)	0	(153)	0	<b>(253)</b>
Other	(550)	(457)	0	(3,412)	<b>(4,419)</b>
<b>TOTAL</b>	<b>3,282</b>	<b>1,381</b>	<b>1,527</b>	<b>(2,699)</b>	<b>3,491</b>

3.6 Due to the extremely difficult financial situation facing the Council 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 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 6 figures highlights;

<b>Status</b>	<b>£'000</b>	<b>%</b>	<i>Last Year</i>
Spent @ 30/9/17	57,942	41.7	37.8
Committed @ 30/9/17	27,208	19.6	18.7
Forecast (1/10/17 – 31/3/18)	53,671	38.7	43.5
<b>Total</b>	<b>138,821</b>	<b>100.0</b>	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 6;

<b>Indicator</b>	<b>Position at 1/4/17</b>	<b>Position at 30/6/17</b>	<b>Position at 30/9/17</b>
<b>Treasury Performance</b>			
Total Sums Invested	£18.55m	£26.2m	£30.5m
% Return on Investments*	0.58%	0.24%	0.18%
Total Sums Borrowed	£195.7m	£183.6m	£195.5m
% Cost of Borrowing	3.96%	3.96%	3.96%
<b>Assets</b>			
Stocks & Work in Progress	£1.464m	£0.702m	£0.701m
Long Term Debtors	£0.052m	£0.052m	£0.052m
Sundry Debtors	£46.670m	£13.248m	£12.519m
Cash	£18.884m	£4.060m	£4.644m
<b>Liabilities</b>			

Sundry Creditors	£40.612m	£6.160m	£4.973m
Short Term Provisions	£3.618m	£3.394m	£3.330m

Note\* - compares to sector benchmark of 0.20%

- 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	Last Year
%age of orders placed via automated purchasing system	92.23%	93.11%
%age of invoices received in electronic format	37.79%	18.92%
Cashable Procurement savings (Procurement Team)	£185,357	£176,137
%age spend in Bury Area	39.20%	25.10%
Number of Bury <b>suppliers</b> invited to bid via the “Chest”	55	59
Number of <b>contracts</b> Bury Suppliers invited to bid for via the “Chest”	63	72

Minimum Level of Balances

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

	£m
<b>General Fund Balance 31 March 2017 per Accounts</b>	<b>8.393</b>
Less : Minimum balances to be retained in 2017/18	-4.250
Less : Forecast overspend at Month 6	-3.491
<b>Forecast Available Balances at 31 March 2018</b>	<b>+0.652</b>

- 3.15 Based on the information contained in this report, on the risk assessments that have been made, on the forecast outturn position for 2017/18 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

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<b>REPORT FOR DECISION</b>
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**MEETING:** **AUDIT COMMITTEE**

**DATE:** **5 DECEMBER, 2017**

**SUBJECT:** **QUARTERLY GOVERNANCE STATEMENT - APRIL to SEPTEMBER 2017**

**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 20 July 2017.

**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 05/12/17	

**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 20 July 2017.
- 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 comprises of a representative from the two directorates of Communities & Wellbeing and Children, Young People and Culture along with the Insurance Manager, Health & Safety Advisor, Risk Manager and the Interim Executive Director for Resources & Regulation. The last meeting of the Risk Management Group took place following the Corporate Risk Management Group meeting which was held on Wednesday 22<sup>nd</sup> November 2017.
- 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 Wednesday 22<sup>nd</sup> November 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 A full review of the Council's services, heads of service and services managers has been carried out to ensure all aspects of the Business Planning Database can be utilised effectively and allow for the review of service BC Plans, inter-dependency mapping and a review of critical services across the Council to take place. The Corporate Business Continuity Plan has been updated to take account of the Council Emergency Response Plan for 2017/18 which is available online.

### **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 Q2 statement (i.e. April to September 2017) 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 2 report went to Cabinet on 15 November and to Overview & Scrutiny Committee on 22 November 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 September 2017, the section has examined the following fundamental financial systems;

- Main Accounting system;
- Council tax;
- Creditors;
- Business Rates;
- Housing Rents;
- 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 half year have produced a total of 131 recommendations.

### **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 3 October, 2017 and no concerns were raised which required specific reference in this update. The next meeting is scheduled for 23 January, 2018.

### **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 Full Year	2017/18 Q1	2017/18 Q2	% change 2017/18 Q1 to Q2
Communities & Wellbeing	12.1	13.5	12.5	12.4	12.8	+3.2
Resources & Regulation	7.0	8.0	6.8	7.8	8.5	+8.9
Children, Young People & Culture	7.99	8.4	9.9	9.9	10.0	+1.0
<b>Total FTE days lost</b>	<b>10.2</b>	<b>9.3</b>	<b>9.9</b>	<b>9.8</b>	<b>10.4</b>	<b>+6.1</b>

*Note – the quarterly figures are calculated on a rolling 12 month basis and do not reflect the quarter in isolation. Therefore, the Q2 period for 2017/18 relates to the full year period of 01/10/16 to 30/09/17.*

3.6.3 The sickness levels have continued to remain relatively constant per days lost per FTE over the last three years.

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:**

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# Annual Audit Letter 2016/17

# Bury Metropolitan Borough Council

[kpmg.com/uk](http://kpmg.com/uk)

September 2017

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment’s website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact [Engagement Lead name], the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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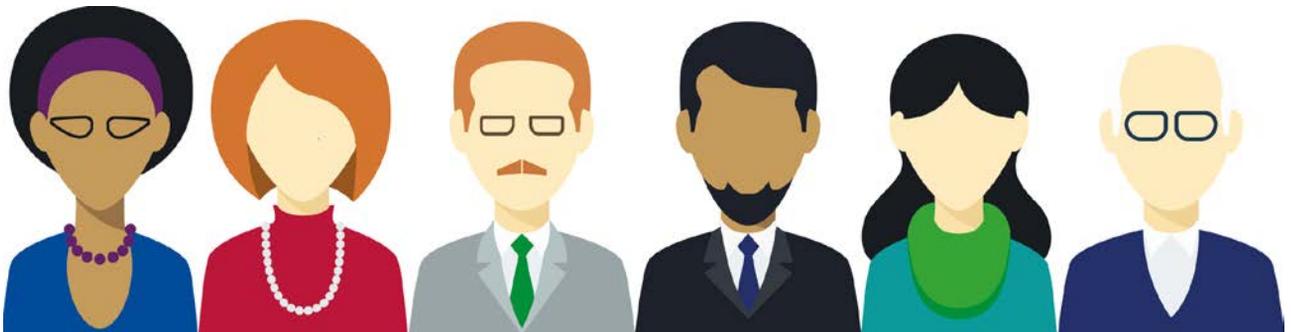
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## Section one

## Summary

This Annual Audit Letter summarises the outcome from our audit work at Bury Metropolitan Borough Council in relation to the 2016/17 audit year. Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

**VFM conclusion**

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 28<sup>th</sup> July 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

**VFM risk areas**

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified the following significant matters:

**1. Financial standing:** The Authority are 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.

We reviewed the 2017/18 and 2018/19 savings plans to see how well developed they are. We also considered whether an appropriate governance structure exists to manage this process effectively to support informed decision making.

In summary, whilst we are satisfied for 2016/17 that the Authority has adequate arrangements in place to secure value for money, the financial position of the Authority should be closely monitored and appropriate action should continue to be taken to address overspends going forward.

**2. Ofsted report:** Findings of an Ofsted inspection of Bury Council Children's Services was presented to Overview and Scrutiny in June 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 Authority 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.

We met with key senior officers and assessed what processes have been put in place to manage the delivery of the action plan including how the Authority monitors performance against it. We are satisfied that there are adequate arrangements in place in respect of this risk to secure value for money.

**Audit opinion**

We issued an unqualified opinion on the Authority's financial statements on 28<sup>th</sup> July 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

## Section one

### Financial statements audit

We did not identify any material misstatements, however a number of presentational adjustments were required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code').

The Authority have been working to earlier close downs for a number of years and therefore are well placed for earlier statutory close down next year. The Authority's process for preparing the accounts is well structured. We did not find any quality issues in relation to the working papers. There is an opportunity for improvements to be made in providing breakdown and audit trail of underlying transactions which will be reflected in next year's prepared by client protocol.

### Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

### Whole of Government Accounts

We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.

### Certificate

We issued our certificate on 28<sup>th</sup> September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

### Audit fee

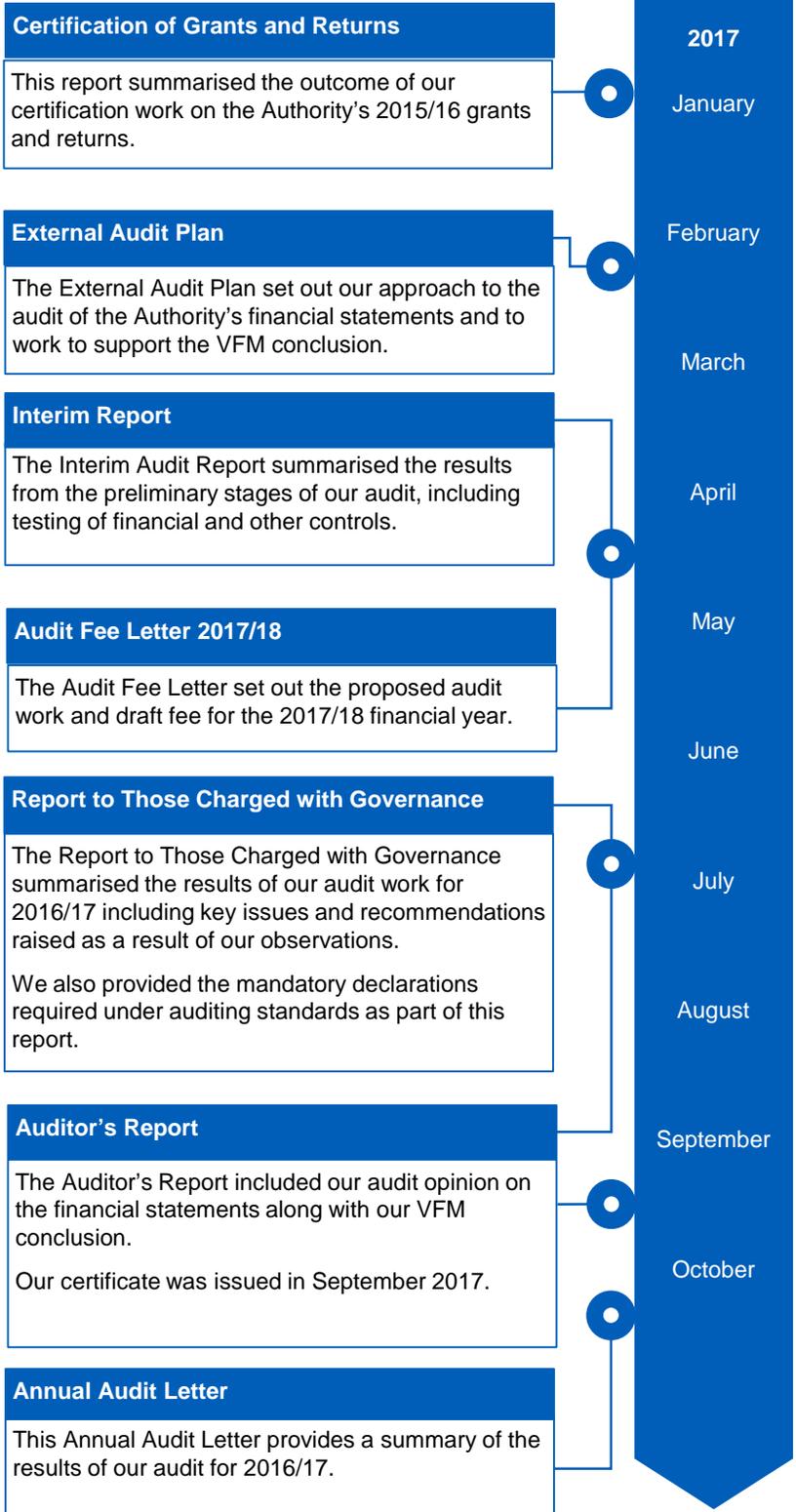
Our fee for 2016/17 was £119,273, excluding VAT, which includes a fee variation ratified by the PSAA of £2,543 as a result of the extra work required following two new system upgrades at the Authority in 2016/17. Further detail is contained in Appendix 2.

Appendix 1

# Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Audit Committee agendas on the Authority's website at [www.bury.gov.uk](http://www.bury.gov.uk).



## Appendix 2

# Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

### External audit

Our final fee for the 2016/17 audit of the Authority was £119,273. This compares to a planned fee of £116,730. The reasons for this variance are:

- an increased fee for the audit of the financial statements reflecting additional costs as a result of two new system upgrades implemented by the Authority in 2016/17.

### Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The planned scale fee is £8,483 and the final fee will be confirmed through our reporting on the outcome of that work in January 2018.

### Other services

In 2016/17 we charged £5,500 for additional audit-related services for the certification of the Teachers' Pensions Return and the Pooling of Capital Receipts Return which are outside of Public Sector Audit Appointment's certification regime.

We also charged £2,500 for VAT advice. This work was not related to our responsibilities under the Code of Audit Practice.

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