

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,
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:	Tuesday, 13 March 2018
Place:	Lancashire Fusiliers Room - 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 - 6)*

The Minutes of the last meeting of the Audit Committee held on 5 December 2017 are attached.

4 MATTERS ARISING

5 FINANCIAL MONITORING REPORT - APRIL 2017 TO DECEMBER 2017 *(Pages 7 - 14)*

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

6 QUARTERLY GOVERNANCE STATEMENT *(Pages 15 - 32)*

A report from the Head of Financial Management is attached.
Risk Register attached

7 ANNUAL REPORT ON GRANTS AND RETURNS 2016-17 *(Pages 33 - 38)*

A report from KPMG is attached

8 EXTERNAL AUDIT PLAN 2017/2018 *(Pages 39 - 60)*

A report from KPMG is attached.

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 2018/2019 INTERNAL AUDIT CHARTER AND 2018/2019 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME *(Pages 61 - 84)*

Report from the Head of Financial Management attached
Internal Audit Charter attached
Quality Assurance and Improvement Programme attached

11 INTERNAL AUDIT PLAN 2018/2019 *(Pages 85 - 96)*

A report from the Head of Financial Management is attached
Appendix A attached
2018/2019 Audit Plan attached

12 INTERNAL AUDIT PROGRESS REPORT *(Pages 97 - 106)*

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

13 MEMBERS' FEEDBACK *(Pages 107 - 112)*

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

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Minutes of: AUDIT COMMITTEE

Date of Meeting: 5 December 2017

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

Also in attendance:

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

Apologies for Absence: Councillor D Jones, Councillor Sarah Southworth,
Councillor S Walmsley and Councillor S Wright

AU.300 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 Nuttall declared a personal interest in any item relating to Bury Blind Society as she is a member.

Councillor Walker declared a personal interest in any item relating to Bury CAB as he is a member.

Councillor Whitby declared a personal interest in any item referring to Communic8te Bury as she is a member.

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

AU.301 MINUTES OF THE LAST MEETING

It was agreed that the Minutes of the last meeting held on 18 September 2017 be approved as a correct record and signed by the Chair.

AU.302 FINANCIAL MONITORING REPORT

Andrew Baldwin, Head of Financial Management 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 £3.491m for the year, based on spending and income information as at 30 September 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.

It was explained that 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 the same point in 2016/2017.

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 2017/2018 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.

It was explained that the report being presented showed month 6 figures so the situation has moved on. The month 7 figures had shown that the overspend had reduced to £3.2m and the month 8 figures were due to be produced at the start of January and would show the most recent figures, these will be reported to the Audit Committee at its March 2018 meeting.

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

- Councillor Silbiger referred to the £1.4m income shortfall recorded for Resources and Regulation in the table at 3.5 of the report and what this was in relation to.

It was explained that this figure related to a shortfall from property and car parking.

- Councillor Walker referred to the enforcement money from the bus lanes across the borough and explained that he had asked for a breakdown to show each bus lanes individually. He explained that he had been told that this would not be possible.
- Councillor Nuttall stated that it would also be interesting to compare previous years' figures in relation to each bus lane.

Andrew Baldwin stated that he would look into the information available to see if this could be done.

- Councillor Whitby referred to the 'delayed achievements' and 'non achievements' and asked what the difference was.

It was explained that the 'delayed' were achievements that would be realised later than was planned. Non achievements would not now happen. If this was the case other achievements would have to be found to the same amount.

- Councillor Whitby asked whether the Star Chambers considered the work that was being carried out by community groups when looking at savings.

It was explained that this was recognised and considered within the plans.

- Councillor Silbiger asked how the projected overspend was calculated and if, usually, a lot of the savings come at the second half of the year could this be built into the forecasting.

Andrew explained that the figures were actual spend plus committed spend. At the start of the process activity and demand is considered and then new information is added as the year goes on. The same data cannot be replicated year on year due to the changes in demand and unknown pressures that may arise.

Delegated Decision:

That the contents of the report be noted.

AU.303 QUARTERLY GOVERNANCE STATEMENT - APRIL 2017 TO SEPTEMBER 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 20, 2017.

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 Risk Management Group last met on 22 November. The Q3 Corporate Risk

Register would be circulated once it had been updated from Q2 and Members were encouraged to put forward their views to the Head of Financial Management by the end of December. It was explained that the Q3 Risk Register would then be circulated to Members in mid-January 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 Walker referred to the changes to the Business Rate Retention Scheme and asked when the changes were due to commence.

It was explained that the date for when this was due to start had been put back. Work in relation to the changes was continuing and it was suggested that Steve Kenyon report to the Audit Committee on this issue at its next meeting.

Delegated decision:

That the contents of the report be noted.

AU.304 ANNUAL AUDIT LETTER 2016/2017

Robert Jones representing KPMG presented the Annual Audit Letter which summarised the key findings from KPMG's 2016/2017 audit of the Authority. The audit covered the Authority's 2016/2017 financial statements and the 2016/2017 Value for Money conclusion.

The report confirmed the unqualified conclusion that had been issued on 28 July in relation to Value for Money.

The certificate for the 2016/2017 audit was issued on 28 September 2017. The certificate confirms that the audit has been concluded in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Appended to the report was a breakdown of the Audit Fees which included a fee variation ratified by the PSAA of £2534 as a result of extra work required following two new system upgrades at the Authority in 2016/2017.

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

- Councillor Walker referred to the fee variation that was set out at page 4 of the report and asked what this was in relation to.

Rob explained that this covered the staff time in relation to financial management system upgrade and to understand the processes and systems and the requirement to make sure that the new system works.

- Councillor Walker asked whether the CCG systems were compatible with the Council's.

It was explained that the decision in relation to systems hadn't been decided as yet but it was likely that the staff working jointly with the CCG and the Council would use two systems simultaneously.

- Councillor Mallon stated that the report had been produced in a way that was easy to follow and understand and he thanked KPMG.

Delegated decision:

That the contents of the Annual Audit Letter 2016/2017 be noted.

AU.305 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.306 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 2017/2018.

Details of work undertaken and Audit Reports issued were included in the report with significant issues highlighted. This included work carried out against the approved plan, detailing final reports issued since the last Audit Committee meeting and a suite of performance indicators.

Delegated decision:

That the contents of the report be noted

AU.307 MEMBERS' FEEDBACK

The Head of Financial Management submitted a report providing feedback to Committee Members in the form of responses to specific issues raised in relation to Audit Reports and queries. This included; details of cash transactions over £1,000 and by providing follow-ups to audits that had been revisited since the Audit Committee meeting in September 2017.

Delegated decision:

That the contents of the report be noted.

COUNCILLOR J MALLON
Chair

(Note: The meeting started at 7.00 pm and ended at 8.15 pm)

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REPORT FOR INFORMATION

Agenda Item	
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MEETING: **AUDIT COMMITTEE**

DATE: **13 March 2018**

SUBJECT: **FINANCIAL MONITORING REPORT – APRIL 2017 TO DECEMBER 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 **£1.838m** 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
	21/2/18	14/2/18			

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 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).

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 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 31st December 2017:

Department	Budget £'000	Forecast £'000	Variance £'000
Communities & Wellbeing	77,557	78,641	+1,084
Resources & Regulation	(497)	1,031	+1,528
Children, Young People & Culture	30,095	33,070	+2,975
Non Service Specific	28,175	24,426	(3,749)
TOTAL	135,330	137,168	+1,838

3.4 The projected overspend of £1.838m represents approximately 1.36% of the total net budget of £135.330m, and compares to previous forecast overspends as follows;

2016/17 Outturn	2017/18 Quarter 1	2017/18 Quarter 2	2017/18 Quarter 3
+£1.670m	+£3.651m	+£3.491m	+£1.838m

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

Month 9 Variance	Children Young People & Culture	Communities & Wellbeing	Resources & Regulation	Non Service Specific	TOTAL
Reason	£'000	£'000	£'000	£'000	£'000
Demand Pressures	2,512	2,861	0	561	5,934
Delayed Achievement of Cuts Options	793	2,799	219	0	3,811
Non-Achievement of Cuts Options	564	0	52	0	616
Income Shortfall	0	38	1,512	0	1,550
Planned use of one-off funding	0	(3,811)	0	0	(3,811)
Continued Impact of 10 Control Measures	(100)	0	(255)	0	(355)
Other	(794)	(803)	0	(4,310)	(5,907)
TOTAL	2,975	1,084	1,528	(3,749)	1,838

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);

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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 9 figures highlights;

Status	£'000	%	<i>Last Year</i>
Spent @ 31/12/17	97,645	71.2	69.5
Committed @ 31/12/17	19,863	14.5	25.5
Forecast (1/1/18 – 31/3/18)	19,660	14.3	5.0
Total	137,168	100.0	<i>100.0</i>

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 9;

Indicator	Position at 1/4/17	Position at 30/6/17	Position at 30/9/17	Position at 31/12/17
Treasury Performance				
Total Sums Invested	£18.55m	£26.2m	£30.5m	£20.9m
% Return on Investments*	0.58%	0.24%	0.18%	0.32%
Total Sums Borrowed	£195.7m	£183.6m	£195.5m	£194.9m

% Cost of Borrowing	3.96%	3.96%	3.96%	3.96%
Assets				
Stocks & Work in Progress	£1.464m	£0.702m	£0.701m	£0.701m
Long Term Debtors	£0.052m	£0.052m	£0.052m	£0.052m
Sundry Debtors	£46.670m	£13.248m	£12.519m	£20.169m
Cash	£18.884m	£4.060m	£4.644m	£1.158m
Liabilities				
Sundry Creditors	£40.612m	£6.160m	£4.973m	£4.753m
Short Term Provisions	£3.618m	£3.394m	£3.330m	£3.421m

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	<i>Last Year</i>
%age of orders placed via automated purchasing system	91.09%	89.84%
%age of invoices received in electronic format	37.79%	12.33%
Cashable Procurement savings (Procurement Team)	£187,395	£434,884
%age spend in Bury Area	29.40%	28.50%
Number of Bury suppliers invited to bid via the “Chest”	84	59
Number of contracts Bury Suppliers invited to bid for via the “Chest”	94	72

Minimum Level of Balances

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

	£m
General Fund Balance 31 March 2017 per Accounts	8.393
Less : Minimum balances to be retained in 2017/18	-4.250
Less : Forecast overspend at Month 9	-1.838

Forecast Available Balances at 31 March 2018	+2.305
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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:

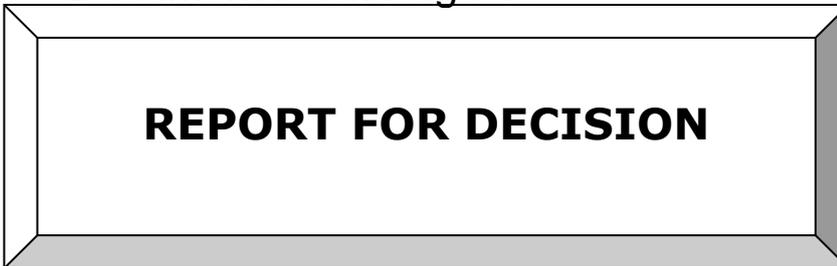
Further information available from;

Interim Executive Director of Resources & Regulation
Mr S Kenyon
Tel. 0161 253 6922
Email: S.Kenyon@bury.gov.uk

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Agenda Item	
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MEETING: **AUDIT COMMITTEE**

DATE: **13 MARCH, 2018**

SUBJECT: **QUARTERLY GOVERNANCE STATEMENT - APRIL to DECEMBER 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 attached).

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 13/03/18	

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 next scheduled meeting of the Risk Management Group is on 06th March 2018.
- 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 is due to meet on Wednesday 14th March 2018.
- 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 2018/19 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 Q3 statement (i.e. April to December 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.

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- 3.3.4 The Quarter 3 report went to Cabinet on 21 February and to Overview & Scrutiny Committee on 14 February 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 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 173 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 next meetings are scheduled for 23 February and 12 April.

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	2017/18 Q3	% change 2017/18 Q2 to Q3
Communities & Wellbeing	12.1	13.5	12.5	12.4	12.8	11.8	-7.8
Resources & Regulation	7.0	8.0	6.8	7.8	8.5	8.6	+1.2
Children, Young People & Culture	7.99	8.4	9.9	9.9	10.0	9.4	-6.0
Total FTE days lost	10.2	9.3	9.9	9.8	10.4	10.3	-1.0

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 2017/18 relates to the full year period of 01/01/17 to 31/12/17.

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

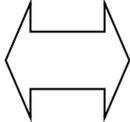
For further information on the details of this report, please contact:

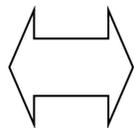
Mr A Baldwin, Head of Financial Management
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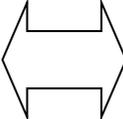
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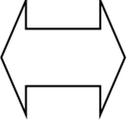
BURY COUNCIL

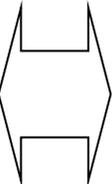
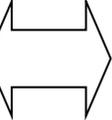
Corporate Risk Register 2017/18 – As at 31st December 2017

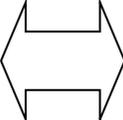
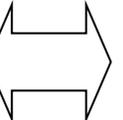
Risk	Risk Owner	Raw Risk Score				Target Risk Score	Mitigation Measures / Assurance Levels			Risk Conclusion	Residual Risk Score				Direction of Travel
		Likelihood	Impact	Proximity	Score		Level 1	Level 2	Level 3		Likelihood	Impact	Proximity	Score	
The Council doesn't agree a balanced budget	Cabinet / SLT	4	4	4	6 4	LOW	<p>The Council has a 4 year financial forecast covering 2016/17 to 2019/20 in line with the Government's 4 year funding offer.</p> <p>Budget options have now been approved (Feb 17) covering a 3 year period, recognising the lead in times for the development of options.</p> <p>Budget forecasts will continue to be reviewed on a 12 month</p>	<p>Budget options validated by the Councils Strategic Leadership Team, and through regular meetings with Portfolio Holders.</p> <p>Budget proposals were considered by the Overview & Scrutiny Committee prior to approval.</p>	<p>External Audit Opinion on VFM / Financial Standing</p>	Manage	1	4	4	16	<p>No Change to risk score</p> 

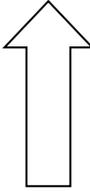
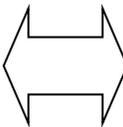
							rolling forecast; or as new information come to light.								
The Council cannot deliver cuts approved in the budget	Cabinet / SLT	4	4	4	6 4	LOW	<p>Robust budget monitoring procedures are in place, given early warning of potential pressures.</p> <p>Challenges of delivering continuous budget cuts with reduced organisational capacity.</p> <p>Control measures in place to mitigate overspend pressures where possible.</p> <p>Forecast is improving, however pressures still remain</p> <p>Current month 8 position showing a £2.6m forecast overspend.</p>	<p>Budget monitoring reports are considered every month by SLT, and reported quarterly to Cabinet.</p> <p>SLT and the Cabinet meet regularly to discuss progress with the in year budget.</p> <p>Monitoring reports are also considered quarterly at;</p> <ul style="list-style-type: none"> • SLT / Cabinet • Overview & Scrutiny • Audit Cttee <p>Increasingly considering "Invest to Save" options.</p> <p>Additional resources available for Adult Social Care – via precept &</p>	External Audit Opinion on VFM / Financial Standing.	Manage	4	4	4	64	<p>No change to risk score</p> 

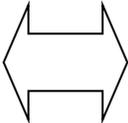
								Government							
Resilience and capacity of services is jeopardised by ongoing funding reductions	SLT	4	4	4	6 4	LOW	<p>Budget options consider operational impact, and are subject to separate risk assessments.</p> <p>The Council undertakes workforce planning to ensure the right staff are in place, with the right skills at the time needed.</p> <p>Recruitment & Retention of staff presents a challenge in some service areas.</p> <p>There is a dedicated workstream looking at HR / OD as the Council moves to OCO / LCO operating arrangements with the NHS.</p>	<p>Business continuity plans exist for all services</p> <p>The Council received minimal transition funding from the Government compared to other GM authorities.</p> <p>The Council has access to transformation funding under GM Health & Social Care arrangements</p> <p>Greater use of interim placements to address time limited pressures / work tasks</p>	<p>External Audit Opinion on VFM / Financial Standing</p> <p>External reviews, e.g. OFSTED / CQC</p> <p>Resident satisfaction levels</p>	Manage	4	4	4	64	<p>No change to risk score</p> 

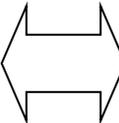
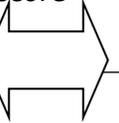
<p>Changes to the Business Rates Retention scheme (100%) impact adversely on the Council – e.g. appeals</p>	<p>Cabinet Member for Finance & HR / Interim Executive Director of Resources & Regulation</p>	<p>3</p>	<p>4</p>	<p>4</p>	<p>48</p>	<p>LOW</p>	<p>The Council makes “in year” provision for the impact of appeals when estimating yield (NNDR1), and also makes provision within the annual revenue budget.</p> <p>In addition, the Council holds a reserve to fund the backdating (i.e. one-off) effect of appeals.</p> <p>Risk of appeals is heightened under 100% retention (although protection for 2017/18 pilot); also likely to be increased incidence of appeals in light of 2017 revaluation</p> <p>Impact of business failure also increases, however mitigated through work of Business Engagement Team</p>	<p>The Council maintains an active dialogue with the Valuation Office Agency to ensure that appeals are dealt with in a timely manner.</p> <p>The Council participates in the GM Collection Fund Accounting Group.</p> <p>Appeals triggered data to determine risk score.</p>	<p>The Council’s External Auditors review the Council’s Collection Fund, and Appeals Provisions as part of the annual audit process.</p>	<p>Manage</p>	<p>3</p>	<p>4</p>	<p>4</p>	<p>48</p>	<p>No change to risk score</p> 
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<p>Ongoing Welfare Reforms place additional pressure on both residents and the Council</p>	<p>Cabinet Member for Strategic Housing & Support Services / Interim Executive Director of Resources & Regulation</p>	<p>4</p>	<p>4</p>	<p>4</p>	<p>64</p>	<p>LOW</p>	<p>Regular monitoring of the impact of reforms is undertaken.</p> <p>Increased risk due to revised CTS scheme, and increased Council Tax (necessary to fund Adult Social Care)</p> <p>Increasing reliance on 3rd Sector, which itself faces funding reductions</p> <p>Concerns over security of employment and uncertain economic outlook</p>	<p>The impact of reforms is reported through the Welfare Reform Board.</p> <p>The Council is currently updating its Poverty Strategy, and assessing how fuel poverty for Council tenants can be addressed</p>	<p>There is close liaison with Partner organisations, e.g. CAB, Six Town Housing to assess and mitigate the impact of reforms.</p> <p>The Council is an active member of the Manchester Credit Union.</p>	<p>Manage</p>	<p>4</p>	<p>4</p>	<p>4</p>	<p>64</p>	<p>No change to risk score</p> 
<p>Ongoing academisation of schools impacts upon income levels for traded services</p>	<p>Cabinet Member for Children & Families / Executive Director of Children, Young People & Culture</p>	<p>3</p>	<p>4</p>	<p>3</p>	<p>36</p>	<p>LOW</p>	<p>Traded services are currently undergoing a comprehensive review to assess the impact of academy conversions.</p> <p>Requires more proactive management as risk of schools not buying-back increases</p> <p>Risk heightened by pressures on school budgets</p>	<p>The Council has a good relationship with schools, and a high level of buy-back.</p> <p>Where possible, and viable, services will continue to be traded to schools that undergo academy conversion.</p>	<p>The relationship with schools is managed proactively through the Schools Forum.</p> <p>Working group set up to explore further opportunities for providing competitive traded services</p>	<p>Manage</p>	<p>4</p>	<p>4</p>	<p>3</p>	<p>48</p>	<p>No change to risk score</p> 

Unknown implications of the Brexit referendum impact adversely upon the Council	Cabinet / SLT	4	4	4	6 4	MED IUM	The most significant risk is the uncertainty of the implications of Brexit – notably economic conditions. Potential impact on the pound, inflation, and impact upon Bury businesses	The Council makes use of external brokers (Link) who offer advice on economic conditions and the Council's Treasury Management.	The Group is scheduled to present a revised offer to schools at the end of March 2018 Other professional networks are utilised, e.g. GM Treasurers Group	Accept	4	4	4	64	No change to risk score 
The Council is unable to manage customer / resident demands and expectations in the light of funding reductions	Cabinet / SLT	4	4	3	4 8	LOW	The Council has previously written to all residents advising them of the impact of funding reductions. Further communication required e.g. resident briefings	Public meetings are held each year as part of the budget consultation process. Public engagement necessary to move forward with Neighbourhood working models / contract with residents Focus of Neighbourhood working model is to facilitate and	The role of elected members is critical as they provide an interface between residents and the Council	Manage	4	4	4	64	No change to risk score 

								empower residents and communities, and assist with capacity building.							
The Council's growth strategy is impeded by external influences, e.g. economic conditions	Leader / Chief Executive	3	4	3	3 6	LOW	The Council has a clear Growth Strategy in place GMSF timescales now revised to 2018 Economic uncertainty may stifle growth.	Growth Strategy has been agreed at both Council and Partner level (Bury Wider Leadership Group). Second report to Cabinet – November 2017 outlining delivery plan. Interim resource recruited (20 months) to oversee delivery of plan	The Council actively promotes development opportunities nationally, and engages with GM activity to promote the region.	Manage	3	3	3	27	Risk raised 
Population growth and age profile lead to service demands exceeding Council capacity / resources.	Cabinet / SLT	4	4	3	4 8	LOW	The Council has adopted the Social Care Precept (2017/18) to channel additional resources to pressures in Adult Social Care. Continuing pressures in the NHS will impact upon the Council's services Further funding for Social Care now	A number of initiatives are in place aimed at early intervention, and self care e.g. reablement, wellbeing service The Bury Locality has secured £19m transformation funding to redesign care models	Close working takes place with partners in the CCG and key providers to mitigate demand pressures. Development of LCO / OCO working model	Manage	4	4	4	64	No Change to risk score 

							made available								
							Complexity and long term nature of conditions an increasing pressure								
							Fragile market of care providers								
Ability to maintain core functions (statutory & non-statutory) e.g. safeguarding is impeded by funding reductions.	Cabinet / SLT	2	4	3	2 4	LOW	<p>The budget setting process reflects to a degree the statutory nature of services when allocating cuts targets</p> <p>Further work needs to be undertaken to reflect prioritisation of resources</p> <p>Additional resources now available for Adult Social Care</p> <p>Narrative revised to reflect that both statutory and discretionary functions are now at risk.</p>	Directors prioritise spend to ensure statutory obligations are fulfilled – this is done through the Cash ceiling / virement scheme.	<p>External Audit Opinion on VFM / Financial Standing</p> <p>Corporate Parenting / Health Scrutiny</p> <p>External reviews, e.g. OFSTED / CQC – NB action plan being developed in light of recent OFSTED inspection.</p>	Manage	2	4	3	24	<p>No Change to risk score</p> 

<p>Health & Social Care integration does not reform services and deliver required efficiency savings</p>	<p>Cabinet Member for Health & Wellbeing / Executive Director of Communities & Wellbeing</p>	<p>3</p>	<p>4</p>	<p>4</p>	<p>4 8</p>	<p>LOW</p>	<p>The Council and CCG work closely together and operate pooled budgets in some areas (Better Care Fund).</p> <p>The Council and CCG management teams meet jointly on a regular basis.</p> <p>Capacity to develop arrangements is a risk, however the Bury Locality has now secured £19m transformation funding to mitigate this</p>	<p>The Council is working towards development of a single commissioning organisation (OCO); similarly, it is proposed to operate a Local Care Organisation (LCO) from April 2018.</p> <p>The Health integration project has clearly defined governance arrangements and its own project risk register</p>	<p>Partnership working takes across the broader Public Service footprint.</p>	<p>Manage</p>	<p>3</p>	<p>4</p>	<p>4</p>	<p>48</p>	<p>No Change to risk score</p> 
<p>GM approach to devolution does not reform services and deliver</p>	<p>Leader / Chief Executive</p>	<p>2</p>	<p>4</p>	<p>3</p>	<p>2 4</p>	<p>LOW</p>	<p>The Council is an equal partner in AGMA / CA, and engages actively through regular GM meetings at</p>	<p>This is supplemented by a comprehensive schedule of meetings at member level.</p>	<p>Elected Mayor now in place, with key positions held by Bury elected</p>	<p>Manage</p>	<p>2</p>	<p>3</p>	<p>3</p>	<p>18</p>	<p>No change to risk score</p> 

required efficiency savings							officer level. Need to ensure democratic / governance processes preserve local accountability Need to look beyond Health & Social Care and examine where joint working can offer wider efficiencies	Mature joint working arrangements developed in respect of Health & Social Care Devolution	members						
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Risk Scoring Matrix

- Likelihood 1 (low) – 4 (high)
- Impact 1 (low) – 4 (high)
- Proximity 1 (low) – 4 (high)
- Maximum Score 4 x 4 x 4 = 64

Low Risk	0 - 20
Medium Risk	21 - 40
High Risk	41 - 64

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Annual Report on grants and returns 2016/17

Bury Metropolitan Borough Council

January 2018



Contents

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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 (andrew.sayers@kpmg.co.uk). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, 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.

Introduction and background

This report summarises the results of work we have carried out on the Council's 2016/17 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2016/17 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £50.8 million.
- Under separate engagements we issued reports on two returns as listed below.
 - Teachers Pensions EOYCa Return; and
 - Pooling of Housing Capital Receipts Return.

Certification and assurance results (Pages 3-4)

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

One minor adjustment was necessary to the Housing Benefit Subsidy Claim as a result of our certification work this year. The adjustment reclassified £2 of Non-HRA expenditure attracting full-rate subsidy as an 'LA error and administrative delay' overpayment. We performed small population testing on this error and did not identify any further instances. Furthermore, as part of the annual reconciliation process, the Council identified four minor amendments which correct errors within the system. We reviewed the amendments as part of the certification work with no issues noted.

Following the completion of our work, the claim was unqualified.

This is the same as the prior year as there were no recommendations.

Our work on the other grant assurance engagements resulted in the following reports:

- Pooling of Housing Capital Receipts Return – Unqualified.
- Teachers Pensions EOYCa Return – we reported exceptions in three procedures.
- The exceptions reported related to exceptions noted in the casting of contributions based on percentage rates of contributory salary, adjustments that had been put through the claim form incorrectly and a timing difference between the Authority's general ledger system and the claim form.

Fees (Page 5)

Our fee for certifying the Council's 2016/17 Housing Benefit Subsidy grant was £8,483, which is in line with the indicative fee set by PSAA.

Our fees for the other grant/return engagements were subject to agreement directly with the Council and were £3,150 for the Pooling of Housing Capital Receipts and £2,950 for the Teachers' Pensions.

Summary of reporting outcomes

Overall, we carried out work on three grants and returns:

- One was unqualified with no amendment;
- One we were required to report exceptions in 3 procedures
- One was unqualified but required some minor amendment to the final figures.

Detailed below is a summary of the reporting outcomes from our work on the Council’s 2016/17 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1				
Other grant/return engagements					
— Teachers Pensions	2				
— Pooling of Housing Capital Receipts	3				
		-	-	2	1

Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2016/17 was £14,583.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council’s Housing Benefit Subsidy claim in 2016/17 of £8,483. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £9,191.

Grants subject to other engagements

The fees for our work on other grants/returns are agreed directly with the Council. Our fees for 2016/17 were increased for inflationary costs compared to 2015/16.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2016/17 (£)	2015/16 (£)
Housing Benefit Subsidy claim	8,483	9,191
Teachers’ Pensions	2,950	2,500
Pooling Capital Receipts	3,150	3,000
Total fee	14,583	14,691



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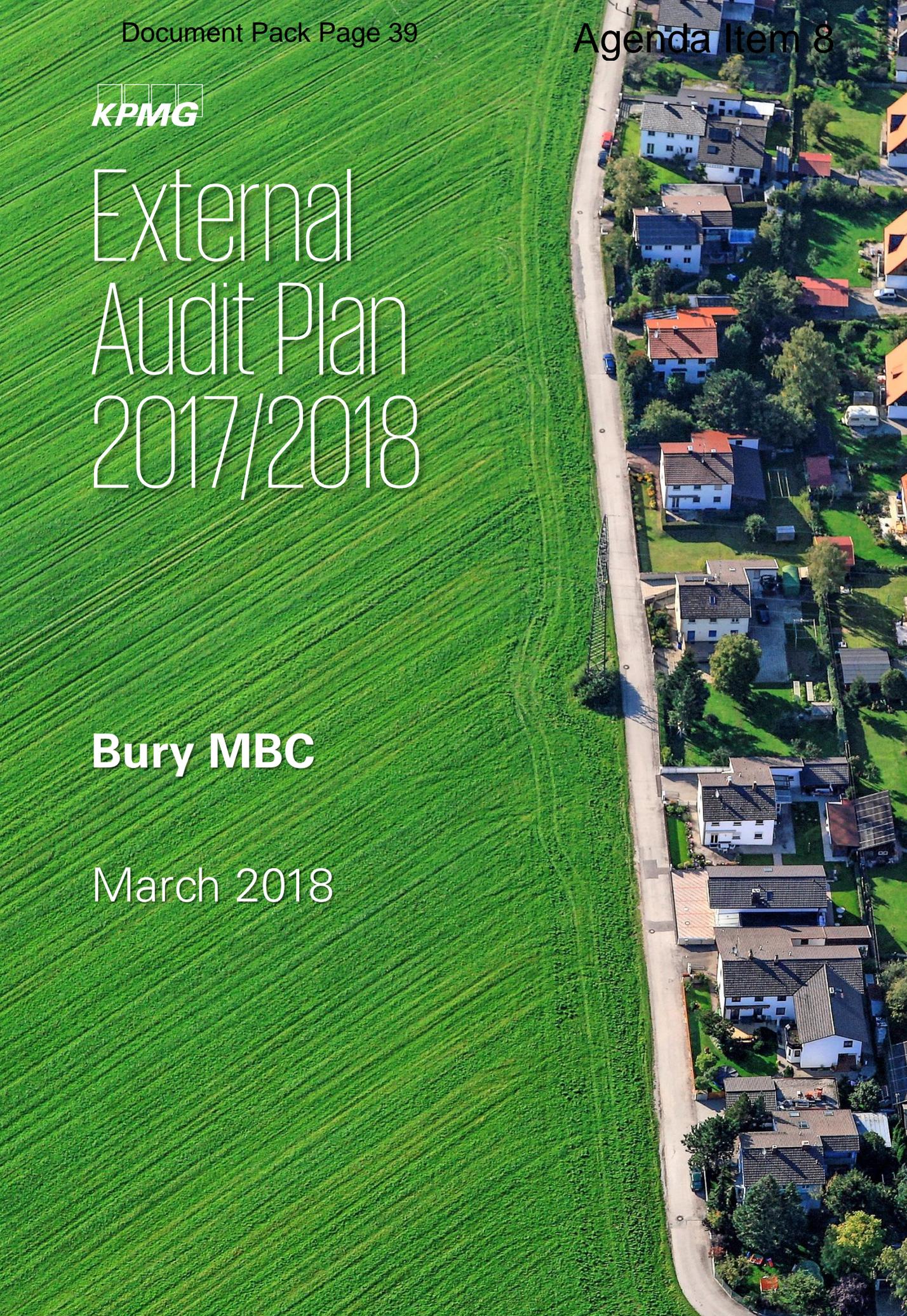
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External Audit Plan 2017/2018

Bury MBC

March 2018



Summary for Audit Committee

Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017.

We recognise that the Authority has successfully advanced its own accounts production timetable in prior years so as to align with the new deadlines. As a result, we do not feel that this represents a significant risk, although it is still important that the authority manages its closedown process to meet the earlier deadline.

In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

Materiality

Materiality for planning purposes has been set at £8 million.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £250,000.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated;
- **Pension Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.

Summary for Audit Committee (cont.)

Value for Money Arrangements work

Our initial risk assessment regarding your arrangements to secure value for money has not identified any VFM significant risks to date, however our risk assessment is ongoing and should any such risks arise we will report these to the Audit Committee.

See pages 10 to 13 for more details

Logistics

Our team is:

- Rob Jones, Director
- Jerri Lewis, Manager

More details are in **Appendix 2**.

Our work will be completed in four phases from December to July and our key deliverables are this Audit Plan and a Report to Those Charged With Governance as outlined on **page 16**.

Our fee for the 2017/18 audit is £116,730 (£119,273 2016/2017) see **page 15**. These fees are in line with the scale fees published by PSAA.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 presented to you in April 2017, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the National Audit Office’s Code of Audit Practice and the PSAA Statement of Responsibilities.

Our audit has two key objectives, requiring us to audit/review and report on your:

- 01 | **Financial statements :**
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and
- 02 | **Use of resources:**
Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. Any change to our identified risks will be reporting to the Audit Committee.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 9 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18.



Financial statements audit planning

Financial Statements Audit Planning

Our planning work took place between December 2017 and February 2018. This involved the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use of experts; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Auditing standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

01

Management override of controls

Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

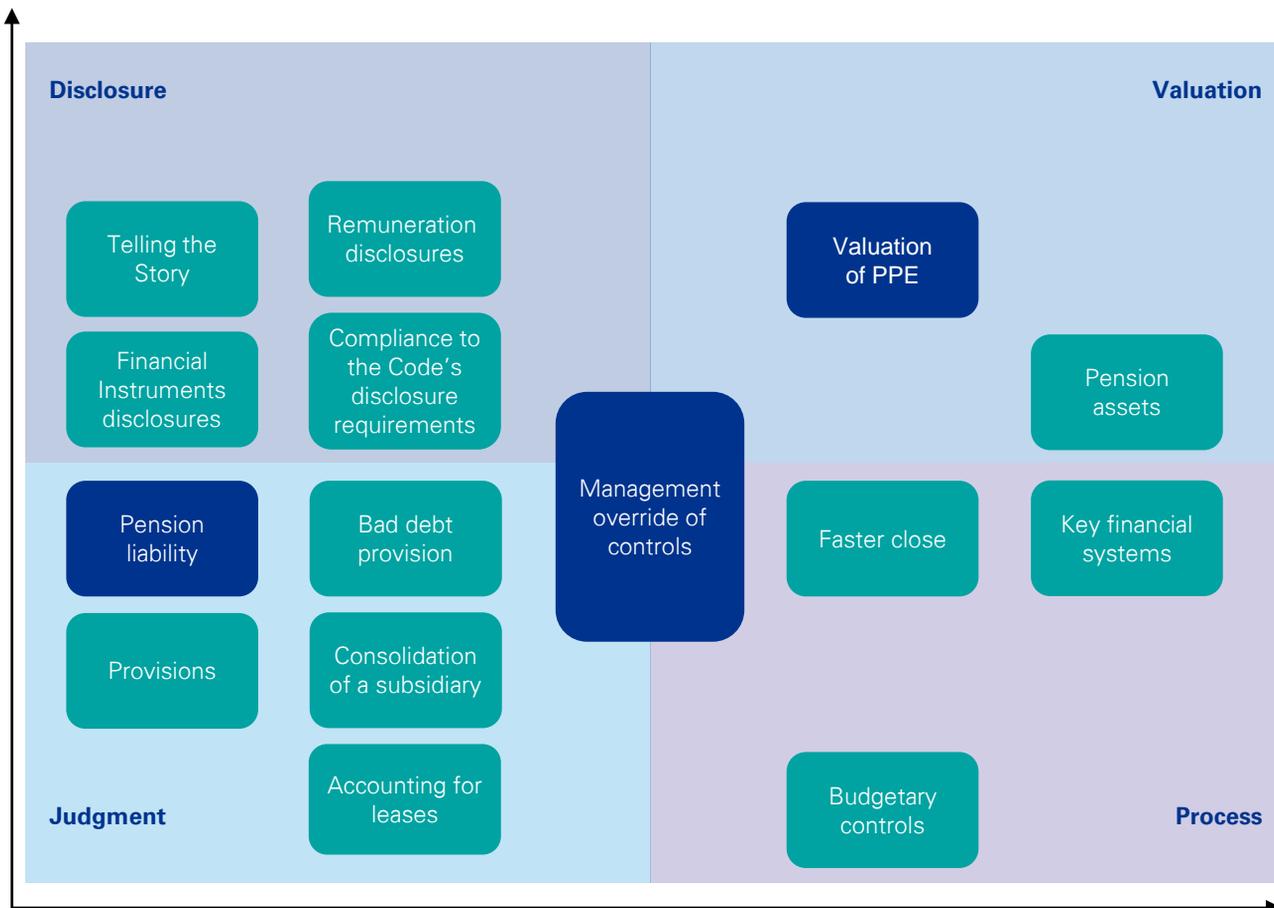
02

Fraudulent revenue recognition

We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Financial statements audit planning (cont.)

The diagram below identifies significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ■ Significant risk ■ Other area of audit focus ■ Example other areas considered by our approach

Financial statements audit planning (cont.)

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Risk:	<p>Valuation of PPE</p> <p>The NBV of the fixed assets as at 31 March 2017 was £601m.</p> <p>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 Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.</p> <p>In practice the Authority have a rolling programme of revaluations in place whereby the Authority revalues a proportion of the asset base each year.</p> <p>Assets are also assessed at each year-end as to whether there is any indication that an asset may be impaired.</p> <p>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.</p> <p>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.</p>
Approach:	<p>We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are not materially misstated and consider the robustness of that approach. We will also assess the risk of the valuation changing materially during the year.</p> <p>In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.</p> <p>In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).</p> <p>We will also critically assess the Authority's formal considerations of indications of impairment of assets within its estate, including the process undertaken and the decisions documents produced.</p>

Financial statements audit planning (cont.)

Significant Audit Risks (cont.)

Risk:	<p>Pension Liabilities</p> <p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of the Greater Manchester Local Government Pension Fund, which is administered by Tameside Metropolitan Borough Council.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>
Approach:	<p>As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will also liaise with the auditors of the Pension Fund at the administering authority in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Hymans Robertson.</p> <p>We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG Actuary. We will review the methodology applied in the valuation by Hymans Robertson.</p> <p>In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.</p>

Financial statements audit planning (cont.)

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Authority, materiality for planning purposes has been set at £8 million which equates to 1.5 percent of gross expenditure.

We do not adjust our materiality levels for the group accounts, the levels are in line with the standalone Authority levels.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Prior Year Gross Expenditure: £543m

Materiality

£8m

1.5% of Expenditure

(2016/17: £8m, 1.5%)



£250k Misstatements reported to the audit committee (2016/17: £400k)

£6m Procedures designed to detect individual errors (2016/17: £6m)

£8m Materiality for the financial statements as a whole (2016/17: £8m)

We will revisit our materiality calculations on receipt of the draft financial statements at the end of May 2018. We may need to adjust our materiality levels to reflect any reduction of reserve balances being reported in the 2017/18 financial statements.

Financial statements audit planning (cont.)

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £250,000.

If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

We will report:



Non-Trivial corrected audit misstatements



Non-trivial uncorrected audit misstatements



Errors and omissions in disclosure
(Corrected and uncorrected)

Group audit

In addition to the Authority the group accounts include the following subsidiaries, none of which are deemed to be significant in the context of the group audit.

- Six Town Housing
- Bury MBC Townside Fields Ltd
- Persona Holdings Ltd
- Persona Care & Support Ltd

In making this assessment we consider a number of factors for example the size of the component as well as the nature and circumstances of the group and the nature of any assessed risks of material misstatement of the group financial statements.

We will reassess the significance of these subsidiaries throughout our audit and will report any changes in our assessment to the Audit Committee.

Value for money (VFM) arrangements work

VFM audit approach

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority ‘has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources’.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to ‘take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor’s judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body’s arrangements.’

Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



Value for money arrangements work (cont.)

Value for Money sub-criterion

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work (cont.)

VFM audit stage



VFM audit risk assessment

Audit approach

We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*.

In doing so we consider:

- The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;
- Information from the Public Sector Auditor Appointments Limited VFM profile tool;
- Evidence gained from previous audit work, including the response to that work; and
- The work of other inspectorates and review agencies.



Linkages with financial statements and other audit work

Audit approach

There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.

We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.



Identification of significant risks

Audit approach

The Code identifies a matter as significant '*if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*'

If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:

- Considering the results of work by the Authority, inspectorates and other review agencies; and
- Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)

VFM audit stage



Assessment of work by other review agencies, and Delivery of local risk based work

Audit approach

Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:

- Additional meetings with senior managers across the Authority;
- Review of specific related minutes and internal reports;
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.



Concluding on VFM arrangements

Audit approach

At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.



Reporting

Audit approach

We have completed our initial VFM risk assessment and have not identified any significant VFM risks. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260.

We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.

The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

Other matters

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2017/18 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.



Other matters

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2017/2018 presented to you in April 2017 first set out our fees for the 2017/2018 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then this will be agreed with the s.151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £116,730, compared to 2016/2017 for £119,273 and included an additional fee of £2,543 for work undertaken on the two new system upgrades (the General Ledger and Fixed Asset systems).

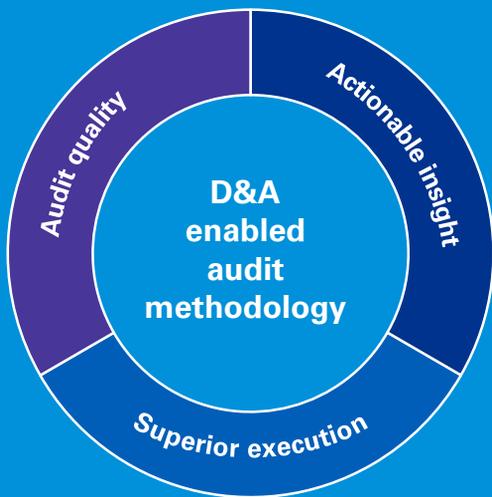
Key elements of our financial statements audit approach

Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. Data and Analytics allows us to:

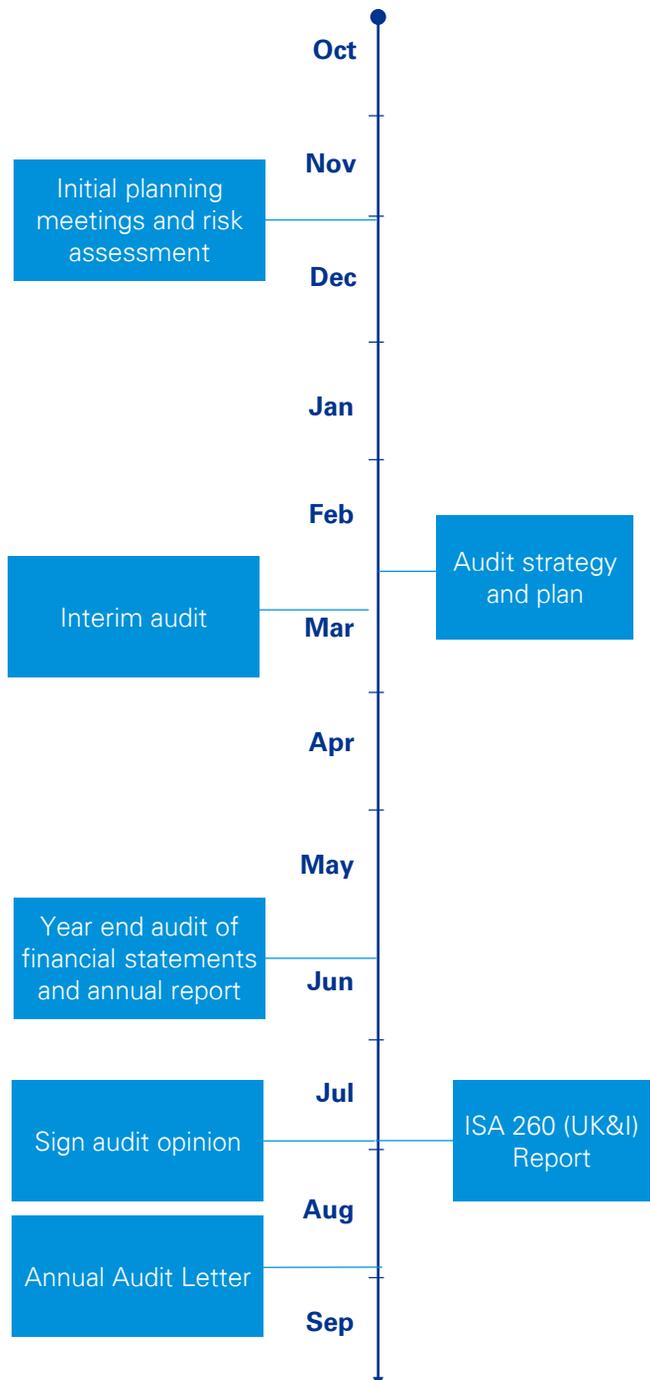
- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable, payroll and journals



Communication

Continuous communication involving regular meetings between Audit Committee, Senior Management and audit team.



Key elements of our financial statements audit approach (cont.)

Audit workflow

Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

Control evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of the accounts being misstated

Substantive testing

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

Completion

- Perform completion procedures
- Perform overall evaluation
- Form an audit opinion
- Audit Committee reporting



Audit team

Your audit team has been drawn from our specialist public sector assurance department.



Rob Jones
Director

T: +44 (0) 161 2464637
E: rob.jones@kpmg.co.uk

'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.

I will be the main point of contact for the Audit Committee and the Authority's senior leadership team.'



Jerri Lewis
Manager

T: +44 (0) 161 618 7359
E: Jerri.Lewis@kpmg.co.uk

'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.

I will work closely with director to ensure we add value.

I will liaise with the Director of Finance and other Executive Directors.'

Independence and objectivity requirements

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF BURY MBC

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Independence and objectivity requirements (cont.)

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.



KPMG LLP



kpmg.com/uk



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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psa.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 Rob Jones 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, 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 3HZ.

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