

## AGENDA FOR

### AUDIT COMMITTEE

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**To: All Members of Audit Committee**

**Councillors** : M Hayes, S Nuttall, T Rafiq, D Silbiger, Sarah Southworth, R Walker, S Walmsley, M Whitby (Chair) 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, 20 November 2018
<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

### **4 MATTERS ARISING**

### **5 AUDIT COMMITTEE TRAINING - PROPERTY STRATEGY**

Alex Holland, Head of Property & Asset Management will give a presentation.

### **6 BURY MBC - AUDIT PROGRESS REPORT - MAZARS** *(Pages 7 - 20)*

A report from Mazars, Bury's External Auditors is attached

### **7 FINANCIAL MONITORING REPORT** *(Pages 21 - 28)*

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

### **8 QUARTERLY GOVERNANCE STATEMENT - APRIL 2018 - SEPTEMBER 2018** *(Pages 29 - 34)*

A report from the Head of Financial Management 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 INTERNAL AUDIT PROGRESS REPORT** *(Pages 35 - 44)*

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

### **11 MEMBERS' FEEDBACK** *(Pages 45 - 50)*

A report from the Head of Financial Management is attached.

Appendix attached

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

**Date of Meeting:**   20 September 2018

**Present:**               Councillor M Whitby (in the Chair)  
                              Councillors T Rafiq, R Walker and S Wright

**Also in attendance:**       Rob Jones - KPMG

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

**Apologies for Absence:** Councillor M Hayes, Councillor S Nuttall, Councillor D Silbiger, Councillor Sarah Southworth and Councillor S Walmsley

**AU.169       DECLARATIONS OF INTEREST**

Councillor S Wright declared a personal interest in any item relating to the Department for Children, Young People and Culture as his wife is employed in a Bury School.

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

**AU.170       MINUTES OF THE LAST MEETING**

It was agreed that the Minutes of the last meeting held on 17 July 2018 be approved as a correct record and signed by the Chair.

**AU.171       MATTERS ARISING**

Councillor Walker referred to the question that he had asked at the last meeting of the Audit Committee in relation to Social Services Care Services and income shortfall. Councillor Walker explained that he had not had a response to the question.

**AU.172       MEMBER TRAINING**

Ian Davenport, Acting Head of Customer Support and Collections attended the meeting to brief Members in relation to risks around the Welfare Reforms and the work of the Corporate Fraud Team.

Those present were given the opportunity to ask questions in relation to the information provided.

**AU.173       QUARTER 1 FINANCIAL MONITORING REPORT**

Steve Kenyon, the Interim Executive Director of Resources and Regulation presented a report updating the Committee on the authority's financial position in line with the Committee's Statement of Purpose to 'Provide independent scrutiny

of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment'.

It was reported that that the authority is projecting an overspend of £3.176m for the year, based on spending and income information as at 30 June 2018.

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 and Housing.

Quarterly detailed monitoring reports are considered by the Senior Leadership Team, the Cabinet, Joint Cabinet / SLT meetings 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.

The projected overspend of £3.176m represents approximately 2.30% of the total net budget of £138.016m.

An overview of the variance was outlined in the report.

It was reported that due to the extremely difficult financial situation facing the Council, 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 2018/19 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.

**Delegated Decision:**

That the contents of the report be noted.

**AU.174 QUARTERLY GOVERNANCE STATEMENT**

Janet Spelzini, Audit Manager 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 17 2018.

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 appended to the report 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 Walker referred to the Governance Panel and asked what areas this group covered.

It was explained that the Group considered financial controls but also looked at other areas such as GDPR.

- Councillor Walker asked why there were 4 months between the meetings of the Risk Management Group.

It was reported that the group could meet at any time it was required to. The risk registers are live registers and are updated regularly.

**Delegated decision:**

That the contents of the report be noted.

**AU.175 RISK MANAGEMENT ANNUAL REPORT 2017/2018**

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 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.

**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 2017/2018 and the actions planned for 2018/2019 be noted.

**AU.176 ANNUAL AUDIT LETTER 2017/2018**

Rob Jones Audit Director - KPMG presented a report summarising the outcome from the local audit work in relation to the 2017-2018 audit year.

The report is intended to communicate key messages to key external stakeholders including members of the public and will be placed on the Council's website.

The report contained information in relation to the Audit Certificate and the Audit Fee.

**Delegated decision:**

1. That the contents of Annual Audit Letter be accepted.
2. That the Audit Committee's thanks to KPMG be recorded.

**AU.177 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.178 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 2018/19. 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.179 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 July 2018.

**Delegated decision:**

That the contents of the report be noted.

**COUNCILLOR M WHITBY**  
**Chair**

**(Note: The meeting started at 7.00 pm and ended at 8.20 pm)**

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# Audit Progress Report

Bury Metropolitan Borough Council  
November 2018





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- 1. Audit progress**
- 2. National publications**

This document is to be regarded as confidential to Bury Metropolitan Borough Council. It has been prepared for the sole use of the Audit and Governance Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

# 1. AUDIT PROGRESS

## Purpose of this report

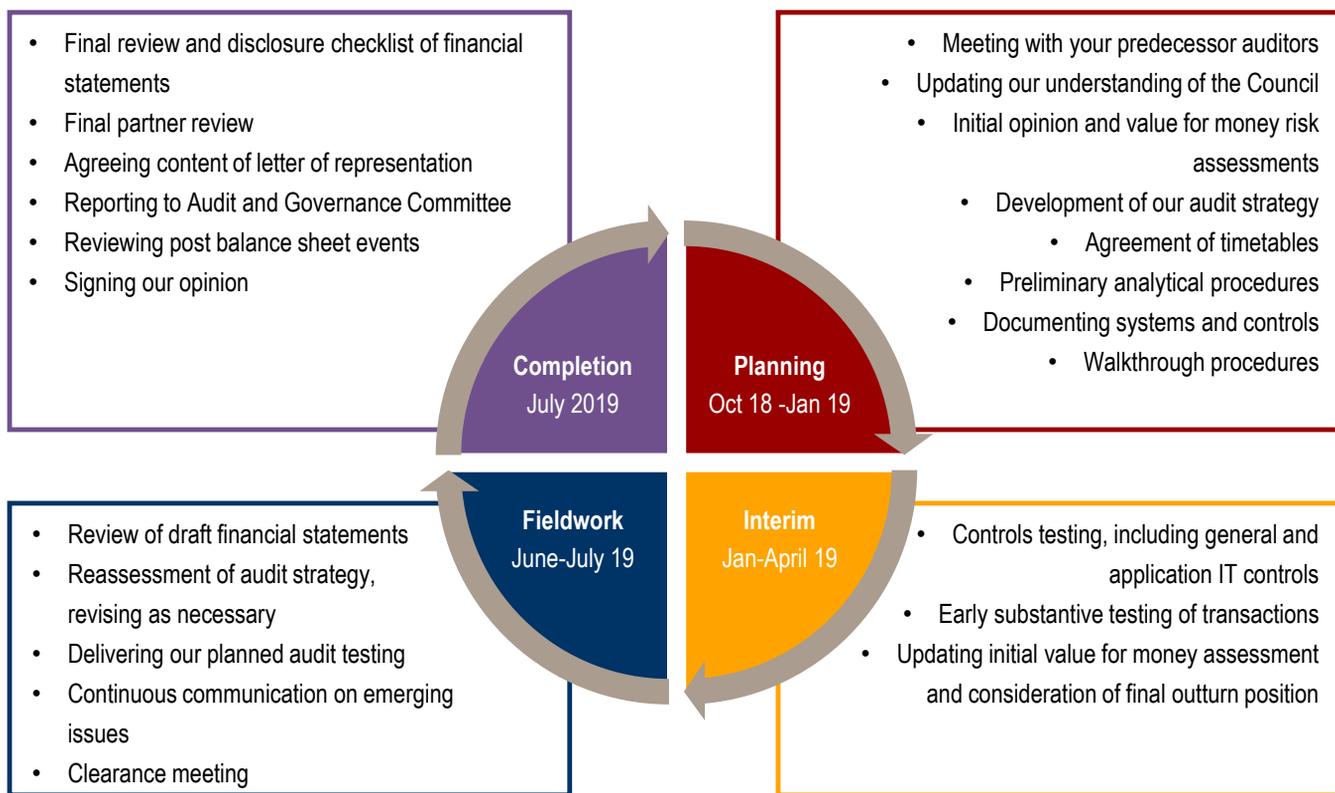
This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

## Audit progress

This is our first progress report in respect of the 2018/19 audit year. Our key audit stages are summarised in the diagram shown below. Upon completion of our initial planning and risk assessment, we will present our Audit Strategy Memorandum to the Audit Committee for discussion.

We have met with senior members of your Finance team to discuss the audit process for 2018-19 and to agree timescales for the completion of our audit work.

We are working with KPMG, your predecessor auditors, to handover the Bury Metropolitan Borough Council audit and ensure a smooth transition for your Finance team.



## 2. NATIONAL PUBLICATIONS

	Publication/update	Key points
<b>National Audit Office (NAO)</b>		
1.	<b>Financial sustainability of local authorities 2018</b>	Continued financial pressures. Increasingly crisis-driven approach to managing local authority finances risks value for money.
2.	<b>Transformation guidance for Audit Committees</b>	Key questions for Committees to consider for transformation projects.
3.	<b>Code of Audit Practice</b>	Background for Committee Members on the Code which governs our work for the Council.
4.	<b>Roles and responsibilities of the NAO and local auditors</b>	Defines our responsibilities.
5.	<b>Guidance and information for auditors</b>	This guidance in respect of the VfM arrangements conclusion may be of interest to Committee Members.
<b>Public Sector Audit Appointments Ltd (PSAA)</b>		
6.	<b>Mazars Annual Regulatory and Compliance Report 2017/18</b>	Overall assessment of 'green'.
7.	<b>Oversight of audit quality, quarterly compliance reports</b>	No significant issues.
8.	<b>Local Audit Quality Forum, PSAA</b>	Inaugural meeting in April 2018; invite to all Audit Committee Chairs and Chief Finance Officers.
<b>Local Government Association (LGA)</b>		
9.	<b>Speeding up delivery: learning from councils enabling timely build-out of high quality housing</b>	Report highlights some distinctive projects and innovative practices.
10.	<b>Sector-led improvement in 2016/17</b>	Reflections by LGA which may be of interest to the Council.

## 2. NATIONAL PUBLICATIONS

### 1. Financial sustainability of local authorities 2018, NAO, March 2018

Since 2010, successive governments have reduced funding for local government in England as part of their efforts to reduce the fiscal deficit. Changes in funding arrangements and new pressures on demand have created both new opportunities and further pressures for the sector. Local authorities deliver a range of services. The government sets statutory duties for them to provide services, ranging from adult social care to waste collection. Local authorities also provide discretionally services according to local priorities. The Ministry of Housing, Communities & Local Government (the Department) views authorities' ability to deliver their statutory services as the defining test of their financial sustainability.

The Department has overall responsibility in central government for local authorities' funding and dictates the overall levels and distribution of funding provided to the sector, and local authorities' statutory responsibilities. Responsibility for statutory services delivered by local authorities is spread across government departments.

This report reviews developments in the sector and examines whether the Department, along with other departments with responsibility for local services, understands the impact of funding reductions on the financial and service sustainability of local authorities.

#### Key findings

##### Financial, demand and cost pressures

- Government funding for local authorities has fallen by an estimated 49.1% in real terms from 2010-11 to 2017-18.
- Alongside reductions in funding, local authorities have had to deal with growth in demand for key services, as well as absorbing other cost pressures.
- Local authorities have changed their approach to managing reductions in income, shifting away from reducing spending on services to looking for other savings and sources of income.

##### Service sustainability

- Local authorities have protected spending on service areas such as adult and children's social care where they have significant statutory responsibilities, but the amount they spend on areas that are more discretionary has fallen sharply.
- Local authorities now spend less on services, and their spending is more concentrated on social care.
- Local authorities have tried to protect front-line services in their savings plans; while this has been successful in some areas, there are signs that services have been reduced in others.

##### Financial sustainability

- Compared with the situation described in the 2014 report, the financial position of the sector has worsened markedly, particularly for authorities with social care responsibilities.
- Financial resilience varies between authorities, with some having substantially lower reserves levels than others.
- A section 114 notice has been issued at one authority, which indicates that it is at risk of failing to balance its books in this financial year.

##### The role of government in securing financial and service sustainability: assessing funding need

- The Department's work to assess the sector's funding requirements as part of the 2015 Spending Review was better than the work it undertook for the 2013 Spending Review.
- As part of its work for the 2015 Spending Review, the Department identified adult social care as a key area of pressure in the sector.

## 2. NATIONAL PUBLICATIONS

### 1. Financial sustainability of local authorities 2018, NAO, March 2018 – continued

#### The financial model for the sector

- The government has announced multiple short-term funding initiatives in recent years and does not have a long-term funding plan for local authorities.

#### The assurance system for financial sustainability

- The Department has improved its understanding of the extent to which local authorities are at risk of financial failure.

#### The assurance system for service sustainability

- There is a lack of ongoing coordinated monitoring of the impact of funding reductions across the full range of local authority services.
- As funding continues to tighten for local authorities and pressure from social care grows, there are risks to statutory services.

#### Report conclusions: the Department

The sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased markedly since the last study. Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams. The current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014. The financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

The Department's performance has improved since the last study. The Department's work on the 2015 Spending Review was an improvement on its predecessors and the Department has improved its oversight of the sector's financial sustainability. However, conditions in the sector have worsened and the Department must continue to strengthen its oversight and assurance mechanisms to protect against risks to value for money from financial failure in the sector. It must also set out at the earliest opportunity a long-term financial plan for the sector that includes sufficient funding to address specific service pressures and secure the sector's future financial sustainability.

#### Report conclusions: wider government

The Department's capacity to secure the sector's financial sustainability in the context of limited resources is shaped by the priorities and agendas of other departments. The Department's improvements in understanding and oversight are necessary but not enough. Equally, because responsibility for services is dispersed across departments, each department has its own narrow view of performance within its own service responsibilities. There is no single central understanding of service delivery as a whole or of the interactions between service areas. To date, the current spending review period has been characterised by one-off and short-term funding fixes. Where these fixes come with restrictions and conditions, this poses a risk of slowly centralising decision-making. This increasingly crisis-driven approach to managing local authority finances also risks value for money.

The current trajectory for local government is towards a narrow core offer increasingly centred on social care. This is the default outcome of sustained increases in demand for social care and of tightening resources. The implications for value for money to government from the resulting re-shaping of local government need to be considered alongside purely departmental interests. Departments need to build a consensus about the role and significance of local government as a whole in the context of the current funding climate, rather than engaging with authorities solely to deliver their individual service responsibilities.

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

## 2. NATIONAL PUBLICATIONS

### 2. Transformation guidance for Audit Committees, NAO, May 2018

Transformation is used to describe significant changes in service delivery or in day to day operations in an organisation.

The government continues to aim to make significant savings and transform services by introducing new organisational models and ways of working. However, transformation comes with risk and can be highly complicated. Evidence from the private sector suggests that 70% of transformations fail.

In many cases transformation programmes rely on new technologies and online services, and are highly ambitious and have a high risk of failure. The complexity of public service delivery and user needs can make the successful transformation of public services even more difficult. Oversight of these transformation programmes creates a major challenge for management and audit committees.

The NAO transformation guidance to Audit Committees sets out the questions to ask of management and the evidence and indicators to help audit committees to look out for at the three stages of any transformation project, as summarised below.

- At the set-up and initiation stage the key areas are: vision and strategy, and governance and architecture. The guidance addresses the evolving nature of transformation and what this implies for oversight.
- During the delivery and implementation stage the key areas are: change and implementation, and service and performance management. The guidance highlights the importance of tackling ambiguity and confusion in transformation objectives.
- Once live-running and benefits are being delivered the key areas are: people, process and technology. The guidance considers how audit committees can challenge the role of technology in supporting transformation.

<https://www.nao.org.uk/report/transformation-guidance-for-audit-committees/>

### 3. Code of Audit Practice, NAO

The Local Audit and Accountability Act 2014 makes the Comptroller and Auditor General responsible for the preparation, publication and maintenance of the Code of Audit Practice. The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act.

The audit of a public sector organisation is wider in scope than that of a private sector body. Special accountabilities attach to the use of public money and the conduct of public business. It is not part of the auditor's responsibilities to question the merits of policy, but the auditor does have wider duties (depending upon the relevant legislation) to scrutinise and report not only upon the truth and fairness of the financial statements but on aspects of public stewardship and the use to which resources have been put. The auditor carries out this work on behalf of the public and in the public interest.

The auditor does not act as a substitute for the audited body's own responsibility for putting in place proper arrangements in support of the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.

The Code includes:

- general principles;
- audit of the financial statements;
- value for money arrangements;
- reporting the results of the auditor's work;
- auditor's additional powers and duties;
- auditor's statutory responsibilities;

<https://www.nao.org.uk/code-audit-practice/>

## 2. NATIONAL PUBLICATIONS

### 4. Roles and responsibilities of the NAO and local auditors, NAO

Includes a useful summary of auditor's additional powers as well as setting out the responsibilities of auditors and local authorities.

Those responsible for the conduct of public business and for spending public money are required 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.

In discharging these responsibilities, public bodies must put in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal. They are also required to report on their arrangements in their annual published governance statement.

#### Responsibilities in relation to the financial statements

The audited body is responsible for preparing financial statements that meet relevant statutory, professional and any other applicable requirements.

Auditors provide an opinion on whether the audited body's financial statements:

- give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Auditors plan and perform their audit in compliance with the requirements of the Code and with relevant professional and quality control standards. The auditor's work is risk-based and proportionate and is designed to meet the auditor's statutory responsibilities,

#### Responsibilities for local authorities and NHS bodies in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources

It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Local public bodies are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

Auditors have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In carrying out this work, the auditor is not required to satisfy themselves as to whether or not the audited body has actually achieved value for money during the reporting period.

In planning this work, auditors consider and assess the significant risks of giving a wrong conclusion on the audited body's arrangements for securing economy, efficiency and effectiveness.

<https://www.nao.org.uk/code-audit-practice/the-audit-framework-for-local-public-bodies/>

### 5. Guidance and information for auditors, NAO

Members may wish to note the guidance and information issued for auditors, covering sector-specific areas and providing a useful overview. This guidance is updated annually.

<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

## 2. NATIONAL PUBLICATIONS

### 6. Mazars Annual Regulatory and Compliance Report 2017/18, Public Sector Audit Appointments Ltd, July 2018

Public Sector Audit Appointments Limited (PSAA) monitors the performance of all its audit firms. The audit quality and regulatory compliance monitoring for 2017/18 incorporated a range of measurements and checks comprising:

- a review of each firm's latest published annual transparency reports;
- the results of reviewing a sample of each firm's audit internal quality monitoring;
- reviews (QMRs) of its financial statements, Value for Money (VFM) arrangements conclusion and housing benefit (HB COUNT) work;
- an assessment as to whether PSAA could rely on the results of each firm's systems for quality control and monitoring;
- a review of the Financial Reporting Council's (FRC) published reports on the results of its inspection of audits in the private sector;
- the results of PSAA's inspection of each firm by the FRC's Audit Quality Review team (AQRT) as part of a commissioned rolling inspection programme of financial statements and VFM work;
- the results of each firm's compliance with 15 key indicators relating to PSAA's Terms of Appointment requirements;
- a review of each firm's systems to ensure they comply with PSAA's regulatory and information assurance requirements; and
- a review of each firm's client satisfaction surveys for 2016/17 work.

The report sets out that:

- Mazars is meeting PSAA's standards for overall audit quality and regulatory compliance requirements;
- Mazars' combined audit quality and regulatory compliance rating was green for 2017/18;
- The satisfaction survey results show that audited bodies are very satisfied with the performance of Mazars as their auditor; and
- Mazars has maintained its performance against the regulatory compliance indicators since last year, with all of the 2017/18 indicators scored as green and the overall weighted audit quality score of 2.55 having increased slightly from last year's 2.45.

From its assessment of all firms, the FRC has identified key issues which firms need to address in order to improve audit quality. These were the:

- challenge and scepticism of management in key areas involving judgment, such as impairment reviews, asset valuations and provisions;
- group audit team's oversight and challenge of component auditors;
- audit of company pension scheme assets and liabilities; and
- arrangements for ensuring compliance with the Ethical Standard and independence requirements.

#### Summary of PSAA annual assessments – overall combined

	BDO	EY	DT	PwC	GT	KPMG	Mazars
2018	Amber	Amber	n/a	n/a	Amber	Amber	Green
2017	Amber	Amber	n/a	n/a	Amber	Amber	Green
2016	Green	Green	Green	Amber	Amber	Amber	Green
2015	Amber	Green	Amber	Amber	Amber	Amber	Green

<https://www.psa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/>

### 7. Oversight of audit quality, quarterly compliance reports 2017/18 Public Sector Audit Appointments Ltd

There are no significant issues arising in the latest quarterly compliance report issued by PSAA.

<https://www.psa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/>

## 2. NATIONAL PUBLICATIONS

### 8. Local Audit Quality Forum, Public Sector Audit Appointments Ltd, April 2018

The LAQF is intended to be a forum within which representatives of relevant audit bodies can work together and collaborate with others to share good practice and strive to enable improvements in the quality, efficiency and effectiveness of audit arrangements and practices in principal local authorities and police bodies in England.

Local bodies which have opted into PSAA's national scheme will be entitled to attend Local Audit Quality Forum events free of charge (up to two delegates per body). The forum was launched in April 2018 and invites were sent to all Audit Committee Chairs and Chief Finance Officers.

Presentations from the inaugural event are available. Future events are being planned based on delegates' feedback and will be added to the PSAA website in due course.

<https://www.psa.co.uk/local-audit-quality-forum/18-april-2018-inaugural-meeting/>

### 9. Speeding up delivery: learning from councils enabling timely build-out of high quality housing, Local Government Association, August 2018

Many local authorities across the country are working to speed up the delivery and buildout of housing. This report highlights both the potential and the limitations of the measures local authorities can take to enable timely buildout of high-quality development. There are principles that all local authorities can follow and there are actions which may work better in some areas than others, depending to some degree on market conditions and developer activity.

Key points highlighted in the report include:

- understanding the issues to delivery in the area;
- considering the use of planning conditions and their proper use;
- design codes which can be a useful tool;
- use existing powers such as s215 enforcement notices;
- use s106 legal agreements to help solve the delivery problem;
- culture change in the planning department is key; and
- partner with others to help unlock sites by offering the types of housing needed that the industry isn't able to.

<https://www.local.gov.uk/speeding-delivery-learning-councils-enabling-timely-build-out-high-quality-housing>

### 10. Sector-led improvement in 2017/18, Local Government Association July 2018

This report shows how the LGA has used DCLG grant for 2016/17 to help councils and to support improvement in the sector.

Sector-led improvement is the approach that councils and the LGA have put in place to support continuous improvement. Challenge and support from one's peers lies at the heart of sector-led improvement and underpins its success.

During the year the LGA worked with Public Sector Audit Appointments (PSAA) to develop LG Inform Value for Money (VfM) a replacement for PSAA's existing VfM Profiles. The new tool was successfully launched in November. The VfM profiles bring together data about the costs, performance and activity of local councils and fire and rescue authorities. They have been designed to help auditors, people who work for councils and fire and rescue authorities and the public understand the costs of delivering local services, and to get an overview of comparative spend and performance over time and relative to others.

## 2. NATIONAL PUBLICATIONS

### 10. Sector-led improvement in 2017/18, Local Government Association July 2018 - continued

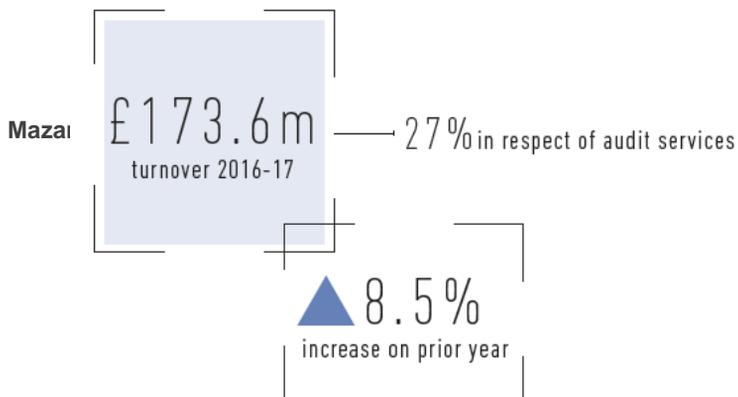
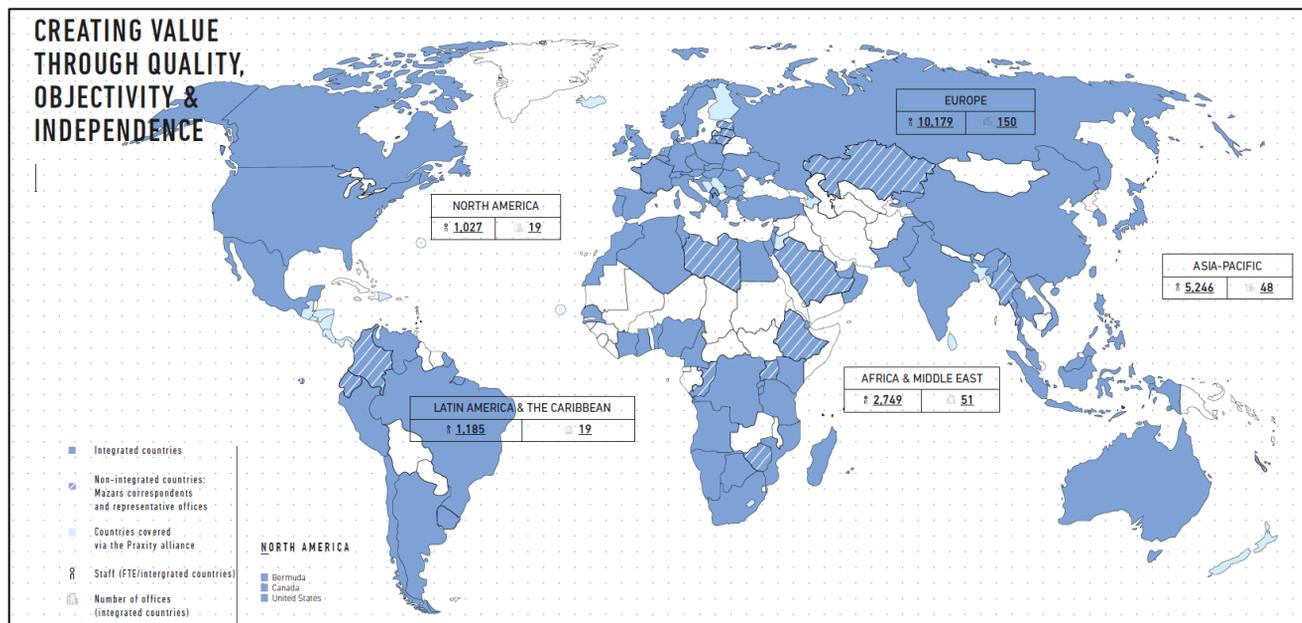
#### Sector-led improvement: some reflections

- Councils continue to demonstrate exceptional leadership of place when called upon to do so (for example, Manchester and Salisbury). Emergency response demonstrates that partnerships are still strong despite the impact cuts to funding across the local public sector can have on on-going activity.
- Whilst recognising the opportunities, the uncertainty surrounding the potential practical implications of Brexit (funding, workforce, procurement, etc.) is becoming of increasing concern as March 2019 draws ever closer.
- Devolution and local government reorganisation continue to consume significant resources in some areas. This agenda can have a negative impact on relationships and present a distraction to on-going service delivery.
- Councils continue to grapple with the increasingly more challenging financial situation as evidenced by the recent National Audit Office report into local authorities' financial viability and now overlaid by the Fair Funding Review and business rates reset. This period of ongoing financial uncertainty is arguably as damaging to councils as the cuts themselves.
- We have seen an increasing request from councils, as leadership teams change or are renewed, for top team support to help them effectively lead their organisation through turbulent and challenging times.
- There continues to be a strong interest in exploring appropriate commercial opportunities and lots of interest in the commercial skills training that we have offered. But adverse publicity around borrowing to invest has meant that some councils appear less willing to share their knowledge and experience.
- Many councils that took out layers of strategic management, or whole functions such as policy development, are now struggling with capacity. A lack of corporate capacity in particular impacts councils' ability to horizon scan and think through how they need to change and adapt.
- Councils have devoted significant time and effort seeking to be equal partners in sustainability and transformation plans which haven't always led to outcomes, and there is frustration in the sector about this and a continuing concern at the delay in moving to new ways of working.
- Demand pressures particularly on children's and adult social care have become much more noticeable. An increasing number of councils are also reporting budget pressures on their temporary accommodation budgets.
- Homelessness has become a bigger issue for more councils this year and the number of homeless families and individuals placed in temporary accommodation has increased significantly.
- Housing growth is still a big issue. Councils are continuing to explore new vehicles to build homes.

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As at 31 August 2017

## CONTACT

Director: Karen Murray

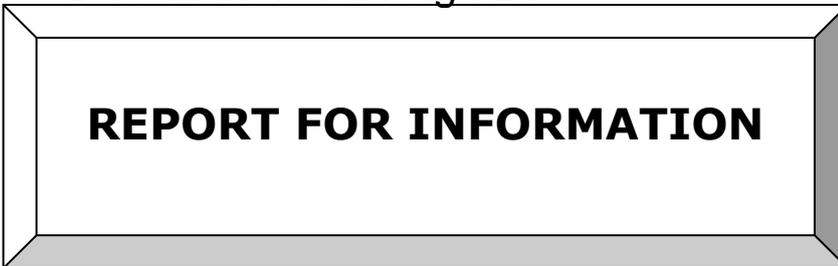
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<b>Agenda Item</b>	
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**MEETING:** **AUDIT COMMITTEE**

**DATE:** **20 NOVEMBER, 2018**

**SUBJECT:** **FINANCIAL MONITORING REPORT – APRIL 2018 TO SEPTEMBER 2018**

**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 **£3.589m** for the year based on spending and income information as at 30 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
	14/11/18	22/11/18			

## 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 September 2018.

## 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 & Housing.

**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 30 September 2018 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 September 2018:

Department	Budget £000	Forecast £000	Variance £000
Communities & Wellbeing	69,899	71,346	+1,447
Resources & Regulation	5,686	6,419	+733
Children, Young People & Culture	40,175	44,295	+4,120
Business, Growth & Infrastructure	(3,808)	(1,880)	+1,928
Operations	10,477	12,183	+1,706
Art Gallery & Museum	439	534	+95
Non Service Specific	15,148	8,708	(6,440)
<b>TOTAL</b>	<b>138,016</b>	<b>141,605</b>	<b>+3,589</b>

- 3.4 The projected overspend of £3.589m represents approximately 2.60% of the total net budget of £138.016m and compares to the previous year's outturn and this year's first quarter as follows;

<b>2017/18 Outturn</b>	<b>2018/19 Quarter 1</b>	<b>2018/19 Quarter 2</b>
+£0.844m	+£3.176m	+£3.589m

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	Business, Growth & Infrastructure	Art Gallery & Museum	Operations	Non Service Specific	<b>TOTAL</b>
Reason	£'000	£'000	£'000	£'000	£'000	£'000	£'000	<b>£'000</b>
Demand Pressures	4,268	2,929	0	0	0	51	547	<b>7,795</b>
Delayed Achievement of Cuts Options	135	9,021	200	740	0	1,200	0	<b>11,296</b>
Non-Achievement of Cuts Options	57	0	0	0	0	0	0	<b>57</b>
Income Shortfall	0	190	396	1,617	95	555	0	<b>2,853</b>
Planned use of one-off funding	(100)	(1,327)	0	0	0	0	(1,743)	<b>(3,170)</b>
Use of Reserves	0	(2,842)	(206)	(142)	0	0	0	<b>(3,190)</b>
Continued Impact of 10 Control Measures	0	0	(45)	0	0	0	0	<b>(45)</b>
Other	(240)	(6,524)	388	(287)	0	(100)	(5,244)	<b>(12,007)</b>
<b>TOTAL</b>	<b>4,120</b>	<b>1,447</b>	<b>733</b>	<b>1,928</b>	<b>95</b>	<b>1,706</b>	<b>(6,440)</b>	<b>3,589</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.
- 3.8 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

Commitment Accounting

- 3.9 Further analysis of the month 6 figures highlights;

<b>Status</b>	<b>£'000</b>	<b>%</b>
Spent @ 30/9/18	31,533	22.3
Committed @ 30/9/18	34,387	24.3
Forecast (1/10/18 - 31/3/19)	75,685	53.4
<b>Total</b>	<b>141,605</b>	<b>100.0</b>

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

Balance Sheet Monitoring

- 3.11 The following key indicators have been extracted as at Month 6;

<b>Indicator</b>	<b>Position at 1/4/18</b>	<b>Position at 30/9/18</b>
<b>Treasury Performance</b>		
Total Sums Invested	£21.25m	£4.8m
% Return on Investments*	0.24%	0.61%
Total Sums Borrowed	£194.5m	£189.0m
% Cost of Borrowing	3.96%	3.96%
<b>Assets</b>		

Stocks & Work in Progress	£1.600m	£1.441m
Long Term Debtors	£0.032m	£0.032m
Sundry Debtors	£44.494m	£17.291m
Cash	£13.264m	£1.049m
<b>Liabilities</b>		
Sundry Creditors	£33.783m	£5.115m
Short Term Provisions	£10.537m	£10.443m

Note\* - compares to sector benchmark of 0.21%

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

Procurement Activity

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

<b>Indicator</b>	<b>Performance To Date</b>	<b>Last Year</b>
%age of orders placed via automated purchasing system	95.53%	93.47%
%age of invoices received in electronic format	31.34%	35.16%
Cashable Procurement savings (Procurement Team)	£66,870	£187,395
%age spend in Bury Area	28.73%	30.62%
Number of Bury <b>suppliers</b> invited to bid via the “Chest”	54	100
Number of <b>contracts</b> Bury Suppliers invited to bid for via the “Chest”	68	55

Minimum Level of Balances

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

	<b>£m</b>
<b>General Fund Balance 31 March 2018 per Accounts</b>	<b>7.549</b>
Less : Minimum balances to be retained in 2018/19	-4.250
Less : Forecast overspend at Month 6	-3.589
Add: Contribution to General Fund balances per 2018/19 Budget report	+2.811
<b>Forecast Available Balances at 31 March 2019</b>	<b>2.521</b>

- 3.16 Based on the information contained in this report, on the risk assessments that have been made, on the forecast outturn position for 2018/19 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**

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

**DATE:** **20 NOVEMBER, 2018**

**SUBJECT:** **QUARTERLY GOVERNANCE STATEMENT - APRIL to SEPTEMBER 2018**

**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 2017/18 Annual Governance Statement was approved by Audit Committee on 17 July 2018.

**OPTIONS & RECOMMENDED OPTION** The Committee is asked to note the contents of the report.

Members are requested to note that the updated corporate risks will be circulated following the corporate risk management meeting on 28 November.

**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 20/11/18	

**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 17 July 2018.

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 Operational Risk Management Group was held on the 17<sup>th</sup> July 2018 and is next due to meet on 20 November.
- 3.1.4 A Member-level Corporate Risk Management Group sits quarterly to review the Corporate Risks and takes account of issues arising from the Operational Risk Management Group. The Corporate Risk Management Group will next meet on the 28<sup>th</sup> November 2018 to review the Corporate Risk Register. The risk register will be updated to reflect the latest high level risks facing the organisation and will then be circulated to members following that meeting.

### **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 Q2 statement (i.e. April to September 2018) 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 14 November, will go 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 2018, 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 80 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 8 October and the next meetings are scheduled for 10 January, 2019 and 11 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 Full Year	2018/19 Q1	2018/19 Q2	% change 2018/19 Q1 to Q2
Communities & Wellbeing	12.1	13.5	12.5	11.2	11.6	12.4	+6.9
Resources & Regulation	7.0	8.0	6.8	9.6	9.7	9.3	-4.3
Children, Young People & Culture	7.99	8.4	9.9	9.6	9.7	9.6	-1.0
<b>Total FTE days lost</b>	<b>10.2</b>	<b>9.3</b>	<b>9.9</b>	<b>9.9</b>	<b>10.0</b>	<b>10.4</b>	<b>+4.0</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 2018/19 relates to the full year period of 01/10/17 to 30/09/18.*

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  
 Tel. 0161 253 5034  
 Email: a.baldwin@bury.gov.uk

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