

AGENDA FOR

AUDIT COMMITTEE

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To: All Members of Audit Committee

Councillors: R Gold, M Hayes, N Jones, 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:-

Date:	Tuesday, 19 November 2019
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 - 8)*

The Minutes of the last meeting of the Audit Committee held on 17 September 2019 are attached

4 MATTERS ARISING

5 EXTERNAL AUDIT PROGRESS REPORT NOVEMBER 2019 *(Pages 9 - 18)*

A report from Bury's External Auditor's Mazars is attached.

6 AUDIT COMPLETION LETTER *(Pages 19 - 20)*

The Audit Completion Letter from Bury's External Auditors, Mazars is attached.

7 FINANCIAL MONITORING REPORT *(Pages 21 - 26)*

A report from the Joint Chief Finance Officer, Bury Council and Bury CCG is attached.

8 QUARTERLY GOVERNANCE STATEMENT *(Pages 27 - 32)*

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 33 - 118)*

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

11 MEMBERS' FEEDBACK *(Pages 119 - 124)*

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

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Minutes of: **AUDIT COMMITTEE**

Date of Meeting: 17 September 2019

Present: Councillor M Whitby (in the Chair)
Councillors R Gold, M Hayes, N Jones, D Silbiger,
Sarah Southworth, R Walker, S Walmsley and S Wright

Also in attendance: Karen Murray – Mazars
Ian Pinches - Mazars

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

Apologies for Absence:

AU.171 DECLARATIONS OF INTEREST

Councillor Sarah Southworth declared a personal interest in any item relating to Six Town Housing as she is a Member of the Board of Directors. She also declared a personal interest in any item relating to Persona and Townside Fields as her husband's accountancy business has been awarded the contract to audit both companies.

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. He also declared a personal interest in any item relating to Six Town Housing as he is a member of the Board.

AU.172 MINUTES OF THE LAST MEETING

It was agreed:

That subject to the amendment that Councillor Southworth declared a personal interest in any item relating to Persona and Townside Fields as her husband's accountancy business has been awarded the contract to audit both companies, the Minutes of the last meeting of the Audit Committee held on 30 July 2019 be agreed as a correct record and signed by the Chair.

AU.173 MATTERS ARISING

Councillor Silbiger referred to the appointment of Mike Woodhead as Chief Finance Officer and asked if this appointment was permanent.

It was reported that this was a permanent appointment.

AU.174 RISK MANAGEMENT ANNUAL REPORT

Lynne Ridsdale, Deputy Chief Executive (Corporate Core), 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.

The report set out the Council's approach to managing risks and included the 2018/2019 Corporate Risk Register.

It was explained that the challenges for 2019/2020 would include the budget, demand pressures, GDPR, implications around Brexit, capacity to deliver the scale of transformation.

It was explained that risk management would be embedded within the council culture, systems and processes and that all managers would be skilled in risk management processes.

Lynne stated that the input of the Audit Committee was welcomed.

- Councillor Gold referred to exchange rates and asked whether there were any risks relating to this.

The Chief Finance Officer, Mike Woodhead stated that the main risks were in relation to supply chains.

Lynne explained that the main risks were medicines, foods, civil unrest and fuel and transport disruption. The council was working with the GM Brexit Monitoring team but also looking at both the local Bury picture and nationally. The local resilience forum were also bringing in partners.

- Councillor Walker asked whether it was possible to produce medicines in the UK if getting them from Europe was proving difficult.

Mike Woodhead explained that all medicines are subject to a patent when they are first developed and this can be quite lengthy. Once this patent has expired there is no reason why the medicine cannot be produced in the UK but there would still be quite lengthy constraints in relation to UK production to consider.

- Councillor N Jones referred to issues around availability of fuel and stated that this would be more likely due to unrest in the Middle East.
- Councillor Walker referred to the changes to business rates and the returns arrangements with Greater Manchester. Councillor Walker asked whether there was a time limit on this arrangement.

Mike Woodhead stated that he would bring more information to the Audit Committee in relation to this.

- Councillor Whitby reported that the Chair of the Audit Committee had in the past been a member of the Corporate Risk Register Group. This group no longer met in the same format. Councillor Whitby asked that if the Audit Committee had any issues to raise in relation to Risk Management would they be able to do so through Lynne Ridsdale.

Lynne reported that she would welcome any input from the Members of 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 2018/2019 and the actions planned for 2019/2020 be noted.

AU.175 AUDITED STATEMENT OF ACCOUNTS 2018/2019

The Head of Financial Management presented a report providing Members with details of the Authority's audited Statement of Accounts for the financial year ended 31 March 2019.

It was reported that the pre-audited Statement of Accounts was approved by the Responsible Finance Officer on 31 May 2019. The accounts have now been audited by Mazars and members of the Audit Committee noted that;

- 10 audit adjustments have been required;
- Two recommendations have been made which are of medium to low priority;
- Officers will work with Mazars to improve the final accounts process;
- A notice will be placed advertising the completion of the audit and how members of the public can access copies of the statement and summary of the accounts.

Karen Murray representing Mazars the Council's external auditors, presented the Audit Completion report for 2018/2019 alongside the Statement of Accounts. The Audit Completion report summarised the key findings from Mazars work in relation to the financial statements for the year ending 31 March 2019 and their assessment of the Authority's arrangements to secure Value for Money in its use of resources.

It was explained that Mazars had substantially completed their work and it was anticipated that an unqualified audit opinion would be issued within the next few days.

Andrew Baldwin, Head of Financial Management presented the Letter of Representation which was signed by the Chief Finance Officer and the Chair of the Audit Committee, Councillor Whitby, to Mazars which was required before the audit opinion could be issued.

Members of the Committee were given the opportunity to ask questions and make comments and the following points were raised:

- Councillor N Jones referred to the issues around the valuing of property, plant and equipment and asked whether the changes required were by thousands or more or less.

Karen Murray explained that in some cases it was hundreds of thousands but that that did not affect the bottom line and wasn't a material issue. It had no impact on the revenue outturn position nor had any impact on the bottom line of the balance sheet.

Mike Woodhead explained that there would be no benefit to the Council in over valuing assets. The main concern was around getting this information right.

Mike explained that the Council will work together with Mazars, the estates department and the finance team to carry out a piece of work in this area to update processes.

Karen reported that a piece of work would be carried out and a joint action plan produced in relation to the work required. The Action Plan would be brought to a future meeting of the Audit Committee.

- Councillor N Jones referred to document pack page 162 and the significant differences that were set out in relation to cash flow statement, cash flow statement (other), movement in reserves and note 17 operating leases and asked if Mazars had concerns around these issues.

It was explained that there was no material effect in relation to the revised figures set out.

- Councillor Gold referred to the 'learning, non-heading schools' heading and asked what this referred to.

It was explained that this was education services provided by Children and Young People such as psychology services etc.

- Councillor Walker referred to the empty properties across the borough and asked whether Bury Council had an empty property officer?

It was explained that an answer to this would be provided at a future meeting.

- Councillor N Jones referred to the work of the Council Tax and benefits team and asked that their hard work be acknowledged.
- Councillor Walker referred to the work of Mazars and Council staff in relation to the Audit work and asked that this be acknowledged.

Delegated decision:

1. That the final audited version of the Statement of Accounts for the 2018/2019 financial year be approved in line with the provisions of the Accounts and Audit Regulations 2015.

2. That the matters and issues arising from the audit and contained within the Audit Completion Report (ISA (UK+I) 260 Financial Statement Report) presented by Mazars be accepted.
3. That the letter of representation signed by the Chief Finance Officer and the Chair of the Audit Committee which was presented at the meeting be approved.
4. That Mazars be thanked for their support and advice during the audit process.

AU.176 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 30 2019.

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.

- Councillor Walker referred to sickness levels within Communities and Wellbeing and asked what the reasons were for this increase.

It was explained that the physical nature of the work for a large number of employees meant that injuries and other medical issues were more prevalent within the department.

- Councillor N Jones stated that Bury Council had been the 3rd worse authority in Greater Manchester in relation to staff sickness and asked if this was still the case.

Andrew Baldwin stated that he would provide an update on this.

Delegated decision:

That the contents of the report be noted.

AU.177 FINANCIAL MONITORING REPORT

Mike Woodhead, Chief Finance Officer presented a report updating the Committee on the authority's financial position in line with the Committee's Statement of Purpose to 'Provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment'.

It was reported that the authority is projecting an overspend of £0.996m for the year, based on spending and income information as at 30 June 2019.

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

report is presented to the Joint Executive Team and to Cabinet Members on budgets within their portfolios.

Four themed Budget Recovery Boards have also been established to oversee the implementation of savings plans, to develop further pipeline schemes, to monitor additional pressures arising in year, and to identify mitigations. A Council-CCG wide system of tracking progress has been implemented and a savings tracker is updated and shared with senior managers and JET on a fortnightly basis. The four boards are:

- Health and Care
- Corporate Core
- Business Growth and Investment
- Operations and Other Council Services

The projected overspend of £0.996m represents approximately 0.7% of the total net budget of £138.862m.

An overview of the variance was outlined in the report at 3.5.

Further information was provided in relation to commitment accounting and balance sheet monitoring as at month 3.

It was explained that the figures represent a snapshot of the Council's Balance Sheet at a given point in time and are not indicative of the Council's overall financial position.

Members of the Audit Committee were given the opportunity to ask questions and make comments and the following points were raised.

- Councillor Silbiger referred to the information at 3.5 of the report and asked what the 'other' figure referred to.

It was explained that this figure referred to grants that the Council would receive.

- Councillor Silbiger referred to the use of other funding or earmarked or other reserves in relation to the overspend.

It was explained that the non-service specific includes Manchester Airport for which the previous years' dividend is used.

- Councillor Walker referred to the GM Better Care Fund and part of the fund being used to help cut down on hospital admissions. Councillor Walker asked whether doctors were happy with part of the fund being used to boost the Council budget.

Mike Woodhead explained that the Better Care Fund is a national fund. The CCG Governing body had approved the different uses for the fund as it was recognised that the fund has to go where it is needed.

Delegated decision:

That the contents of the report be noted.

AU.178 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.179 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 2019/20. 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.180 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 2019.

Councillor Whitby made reference to two specific reports and asked for follow up information in relation to these.

Janet Spelzini, the Audit Manager reported that she would provide this information to Councillor Whitby.

COUNCILLOR M WHITBY
Chair

(Note: The meeting started at 7.00 pm and ended at 8.40 pm)

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Audit Progress Report

Bury Metropolitan Borough Council

November 2019

Year Ending 31 March 2020





CONTENTS

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 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. The paper also seeks to highlight at Section 2 key emerging national issues and developments which may be of interest to Members of the Panel.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

Audit completion 2018/19

Since the Committee last met we have:

- Completed our work and agreed the final and amended Statement of Accounts. We issued our Audit Report on 8th November 2019, providing:
 - an unqualified opinion on the Council's 2018/19 financial statements; and
 - an unqualified conclusion on the Council's arrangements during 2018/19 to deliver value for money in its use of resources.
- Completed our work on the Council's Whole of Government Accounts (WGA) return as required by the National Audit Office. We issued our unqualified conclusion on the Council's WGA submission on 8th November 2019; and
- Issued our Audit Completion Certificate to certify the closure of the audit.

This concludes our 2018/19 audit. We would like to thank the Council officers for their co-operation and support in assisting us to complete the audit.

We met with Council officers to carry out a comprehensive debrief of the audit, to identify opportunities to improve the process for 2019/20 in particular around the arrangements in place for the valuation of the Council's Property, Plant, and Equipment and the associated accounting, together with other aspects of the accounts closedown and audit process.

Audit progress 2019/20

The 2019/20 audit is now due to start.

In the next few weeks we will:

- hold internal planning meetings;
- hold update meetings with the finance team to agree the arrangements for the interim and final audit visits;
- discuss emerging technical issues with your team; and
- review minutes from Council meetings to inform our financial audit and value for money conclusion risk assessment.

We plan to carry out interim testing during mid November which will include updating our core financial systems documentation and carrying out substantive testing of income and expenditure transactions for the first six months of the year.

Our detailed Audit Strategy Memorandum will be presented to the Audit Panel in early 2020.

There are no matters to bring to your attention at this stage.

2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
National Audit Office (NAO)			
1	New Code of Audit Practice 2020/21 – Consultation	Consultation process underway for the new Code of Audit Practice that will apply for 2020/21 audits	5
Public Sector Audit Appointments Ltd (PSAA)			
2	Local Government audit opinions issued by 31 July 2019	Press release relating to the increase in delays in issuing audit opinions	6
Chartered Institute of Public Finance and Accountancy (CIPFA)			
3	A practical guide for Local Authorities on Income Generation (2019 edition)	Guidance to assist Councils	7
Ministry of Housing, Communities & Local Government (MHCLG)			
4	Review of local authority financial reporting and external audit	Announcement of a wide ranging review of financial reporting and external audit in the sector	8

2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

1. New Code of Audit Practice 2020/21 – Consultation, September 2019

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

The consultation is taking place in two stages. The first has concluded and the second is currently underway with a deadline for responses of 22 November 2019. The NAO plans to finalise the Code by the end of 2019, ready to be laid in Parliament early in 2020. The new Code will apply from audits of local bodies' 2020/21 financial statements onwards.

The first stage of the consultation showed broad support for maintaining the principles-based nature of the Code, being the wider scope of public audit, independence and public reporting. However the responses highlighted that this should be supported by more detailed sector-specific guidance.

The second stage of the consultation is focusing on the text of the draft Code. In particular there are proposed changes to the way auditors report on arrangements to deliver value for money in the use of resources.

The Local Audit & Accountability Act 2014 places a specific duty on the local auditor to be satisfied whether the body they are auditing has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. In the current Code, this is referred to as work on arrangements to secure value for money.

Currently, the local auditor reports against a single overall criterion as to whether: "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." This is known as the value for money conclusion and is included in the Auditor Report included in Council's financial statements.

The consultation draft Code proposes changes to this reporting, with a more detailed commentary on the value for money arrangements being included in a new 'Auditor's Annual Report'.

Should the Council wish to respond to the consultation, the details are provided in the link below.

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

2. NATIONAL PUBLICATIONS – PUBLIC SECTOR AUDIT APPOINTMENTS LTD

2. Local Government audit opinions issued by 31 July 2019, August 2019

PSAA issued a press release after the end of the 2018/19 audit deadline to highlight the increase in the number of audit opinions that were not available by 31 July 2019. Reporting an increase in the number of opinions not available, the press release highlights the factors that have driven the increase in delays.

<https://www.psaa.co.uk/2019/08/news-release-local-government-audit-opinions-delivered-by-31-july-2019/>

2. NATIONAL PUBLICATIONS – CIPFA

3. A practical guide for Local Authorities on Income Generation (2019 edition), CIPFA, July 2019

CIPFA's revised income generation guide reflects on the income generation issues of 2019 and the changes that are being made.

The issues that are examined in this publication include:

- the need for thorough testing and business cases to robustly assess income proposals;
- the impact of the 2018 MHCLG Statutory Investment Guidance; and
- how the pattern of local authority income is changing.

The guide will allow councils to maximise their income potential against a backdrop of Brexit uncertainties and other economic changes. With more authorities relying on income generation to balance their budgets, the guide can help finance staff stand at arms-length to ensure councils act prudently.

The publication also has practical guidance on income generation for different service areas and there is a full coverage of discretionary charging rules.

<https://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-for-local-authorities-on-income-generation-2019-edition>

2. NATIONAL PUBLICATIONS – MHCLG

4. Review of local authority financial reporting and external audit, September 2019

The Ministry of Housing, Communities and Local Government announced in September that they had appointed Sir Tony Redmond to conduct a review of the arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the Local Audit and Accountability Act 2014. The review will not look at broader issues of local authority finances and sustainability.

The review will examine the existing purpose, scope and quality of statutory audits of local authorities in England and the supporting regulatory framework to in order to determine:

- Whether the audit and related regulatory framework for local authorities in England is operating in line with the policy intent set out in the Act and the related impact assessment;
- Whether the reforms have improved the effectiveness of the control and governance framework along with the transparency of financial information presented by councils;
- Whether the current statutory framework for local authority financial reporting supports the transparent disclosure of financial performance and enables users of the accounts to hold local authorities to account; and
- To make recommendations on how far the process, products and framework may need to improve and evolve to meet the needs of local residents and local taxpayers, and the wider public interest.

As part of the review, MHCLG have issued a “Call for Views” which is linked below, along with the review’s terms of reference. The deadline for responses has recently been extended to 20 December.

<https://www.gov.uk/government/publications/review-of-local-authority-financial-reporting-and-external-audit-terms-of-reference>

<https://www.gov.uk/government/consultations/review-of-local-authority-financial-reporting-and-external-audit-call-for-views>

CONTACT

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08 November 2019

Dear Councillor Whitby

Conclusion of pending matters– Audit completion report

Following on from the meeting of the Audit Committee on 17 September 2019 and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit completion report dated 12 September 2019 and to provide an update on a small number of further matters.

The outstanding matters and the conclusions reached are detailed below:

Matter	Conclusion reached
Schools Cash independent confirmation	We have received all relevant confirmations in respect of the schools cash balances.
Group Accounts	We have received and reviewed the revised Group Accounts and consolidation and there are no further matters we wish to bring to your attention.
Amendments and review of changes to the accounts	We have received and reviewed the final set of updated and amended accounts and we are satisfied that all necessary changes have been made and are accurate.
Non-significant balances and Whole of Government Accounts (WGA)	Our work on these balances and your WGA submission is now complete. We reported that the amended and revised WGA submission is consistent with the audited financial statements.
Signed final statements and signed Management Representation Letter	We have now received the signed Management Representation Letter and final signed financial statements

IT Controls Testing	The work in this area is now complete and we have no further matters we wish to bring to your attention.
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If you wish to discuss these or any other points discussed then please do not hesitate to contact me.

Yours sincerely,

MAZARS LLP

Mazars LLP

REPORT FOR INFORMATION

MEETING: **AUDIT COMMITTEE**

DATE: **19 November, 2019**

SUBJECT: **FINANCIAL MONITORING REPORT – APRIL 2019 TO AUGUST 2019**

REPORT FROM: **JOINT CHIEF FINANCE OFFICER, BURY COUNCIL AND BURY CCG**

CONTACT OFFICER: **M Woodhead**

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 **£0.467m** for the year based on spending and income information as at 31 August.

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.

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: Mike Woodhead

Chief Executive/ Senior Leadership Team	Cabinet	Overview & Scrutiny	Council	Ward Members	Partners
	13/11/19	21/11/19			

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 August 2019.

2.0 MONITORING PROCESSES

- 2.1 Reports are presented quarterly to facilitate close monitoring of spend and implementation of action plans during the year.
- 2.2 Reports are also presented to the Joint Executive Team (JET) on a monthly basis and detailed monitoring information and forecasts are discussed with Cabinet Members on budgets within their portfolios.

Four themed Budget Recovery Boards have also been established to oversee the implementation of savings plans, to develop further pipeline schemes, to monitor additional pressures arising in year, and to identify mitigations. A Council-CCG wide system of tracking progress has been implemented and a savings tracker is updated and shared with senior managers and JET on a fortnightly basis. The four boards are:

- Health and Care
- Corporate Core
- Business Growth and Investment
- Operations and Other Council Services

- 2.3 Other measures include a £1,000 per transaction procurement limit, a Budget Control Group that considers requests for filling vacant posts, a review of external staff resources such as contractors and consultants.
- 2.4 It is intended that improvements will continue to be made to the budget monitoring process, building on the significant developments implemented over the past year.

3.0 FINANCIAL POSITION

- 3.1 The authority's overall financial position based on forecasts made using income and expenditure information as at 31 August 2019 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 31 August 2019:

Department	Budget	Forecast	Variance
	£000	£000	£000
Communities & Wellbeing	70,582	71,672	1,090
Resources & Regulation	7,486	8,071	585
Business, Growth and Infrastructure	(924)	155	1,079
Children, & Young People	41,184	42,341	1,157
Operations	12,878	12,751	(127)
Art Gallery & Museum	565	653	88
Non Service Specific	7,091	3,686	(3,405)
TOTAL	138,862	139,329	467

- 3.4 The projected overspend of £0.467m represents approximately 0.34 of the total net budget of £138.862m and compares to the previous year's outturn and this year's Q1 as follows;

2018/19 Outturn	2019/20 Quarter 1	2019/20 Quarter 2
+£2.657m	+0.996m	+0.467m

Commitment Accounting

- 3.5 Further analysis of the month 5 figures highlights;

Status	£'000	%
Spent @ 31/8/19	62,849	45.1
Committed @ 31/8/19	41,306	29.6
Forecast (1/9/19 – 31/3/20)	35,174	25.3
Total	139,329	100.0

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

Balance Sheet Monitoring

- 3.7 The following key indicators have been extracted as at Month 5;

Indicator	Position at 31/03/19	Position at 30/06/19	Position at 31/08/19
Treasury Performance			
Total Sums Invested	£14.76m	£10.80m	£8.30m
% Return on Investments*	0.66%	0.66%	0.67%
Total Sums Borrowed	£202.5m	£192.58m	£192.90m
% Cost of Borrowing	3.95%	3.95%	3.95%

Assets			
Stocks & Work in Progress	£1.401m	£1.235m	£1.235m
Long Term Debtors	£30.947m	£30.955m	£30.886m
Sundry Debtors	£45.861m	£26.789m	£16.624m
Cash	£6.827m	£9.070m	£3.152m
Liabilities			
Sundry Creditors	£38.118m	£9.184m	£7.960m
Short Term Provisions	£7.959m	£7.959m	£7.959m

Note - compares to sector benchmark of 0.57%*

- 3.8 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.
- 3.9 From a monitoring perspective however they provide useful information, and trends can be plotted as the exercise is repeated in future quarters.

Procurement Activity

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

Indicator	Performance To Date	2018/19
%age of orders placed via automated purchasing system	95.29%	96.20%
%age of invoices received in electronic format	48.52%	36.58%
Cashable Procurement savings (Procurement Team)	£2.285m	£0.509m
%age spend in Bury Area	N/A	30.33%
Number of Bury suppliers invited to bid via the “Chest”	92	145
Number of contracts Bury Suppliers invited to bid for via the “Chest”	49	130

Minimum Level of Balances

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

	£m
General Fund Balance 31 March 2019 per Accounts	7.703
Less : Minimum balances to be retained in 2019/20	-4.250
Less : Forecast overspend at Month 3	-0.467
Forecast Available Balances at 31 March 2020	2.986

- 3.12 Based on the information contained in this report, on the risk assessments that have been made, on the forecast outturn position for 2019/20 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.

M Woodhead
Joint Chief Finance Officer, Bury Council and Bury CCG

Background documents:

Further information available from;

Mr M Woodhead, Joint Chief Finance Officer, Bury Council and Bury CCG, Tel. 0161 253 7659, Email: mike.woodhead@nhs.net

REPORT FOR DECISION

MEETING: **AUDIT COMMITTEE**

DATE: **19 NOVEMBER, 2019**

SUBJECT: **QUARTERLY GOVERNANCE STATEMENT - APRIL to SEPTEMBER 2019**

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 2019/20 Annual Governance Statement was approved by Audit Committee on 30 July 2019.

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

Members are requested to note that the updated corporate risks register will follow.

IMPLICATIONS:

Corporate Aims/Policy Framework:

Do the proposals accord with Policy Framework? Yes.

Financial Implications and Risk Considerations:

The Annual Governance Statement is a fundamental document for recording, monitoring and communicating the effectiveness of the internal control framework within the Council.

Statement by the Joint Chief Finance Officer (S151 Officer):

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: MIKE WOODHEAD

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
Scrutiny	Cabinet	Committee	Council
		Audit 19/11/19	

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 September 2019.
- 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 Risk Management forms an integral part of strategic planning in Bury Council ensuring early intervention and management of risk in delivering objectives.
- 3.1.2 The Council has recently reviewed and made changes to ensure the management of risk is consistent with that of the CCG's to enable a common approach to be adopted allowing for risk to be assessed using one methodology. This common approach will ensure risk is managed in a consistent, structured and systematic way that identifies, evaluates, prioritises and manages risk at corporate, departmental and operational levels.
- 3.1.3 The Corporate Risk Register will be administered using the CCG's Pentana Risk Management System allowing risks that are common across both organisations to be brought together and maintained as live data and reported against much more effectively.
- 3.1.4 Future plans are for the 5 Departmental Risk Registers to also be administered through Pentana Risk Management System.
- 3.1.5 A copy of the latest risk register will follow.

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 2019/20 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 Month 5 statement (i.e. April to August 2019) 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 Month 5 report went to Cabinet on 13 November, will go to Overview & Scrutiny Committee on 21 November and is 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 2019, 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 125 recommendations. There was one recommendation which was ranked high. This was in report reference 2921.19 Security Service where it was identified that a supplier had been used for 17 years and a recent agreement had been signed tying the Council into the service for at least a further three years. Concerns were expressed regarding the agreement in place.

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:

- Joint Chief Finance Officer (S151 Officer);
- Assistant Director of Legal & Democratic Services (Monitoring Officer);
- Head of Financial Management (Chief Internal Auditor)

3.5.3 The Panel last met on 25th September 2019 and the constitution of the panel is under review. The next meeting is scheduled for 26th November 2019.

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	2016/17 Full Year	2017/18 Full Year	2018/19 Full Year	2019/20 Q1	2019/20 Q2	% change 2019/20 Q1 to Q2
Communities & Wellbeing	12.5	11.2	13.8	14.1	14.1	0
Resources & Regulation	6.8	9.6	6.5	6.3	6.6	+4.5%
Children, Young People & Culture	9.9	9.6	9.0	9.9	10.4	+5.5%
Total FTE days lost	9.9	9.9	9.7	10.3	10.8	+4.8%

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 2019/20 relates to the full year period of 01/10/18 to 30/09/19.

- 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 has been one significant internal control issue 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

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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