

## AGENDA FOR

## AUDIT COMMITTEE

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**To: All Members of Audit Committee**

**Councillors:** S Briggs, R Gold, M Hayes, D Silbiger, Sarah Southworth, D.Vernon, R Walker, 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, 2 June 2020
<b>Place:</b>	Microsoft Teams
<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 25<sup>th</sup> February 2020.

### **4 MATTERS ARISING**

### **5 BURY MBC PROGRESS REPORT** *(Pages 7 - 14)*

A report from Bury Council's External Auditors – MAZARS attached.

### **6 LETTER TO MANAGEMENT 2019/20** *(Pages 15 - 18)*

A letter from Bury Council's External Auditors – MAZARS to management is attached.

### **7 LETTER TO TCWG** *(Pages 19 - 22)*

A letter from Bury Council's External Auditors – MAZARS to TCWG is attached.

### **8 ANNUAL REPORT FOR 2019/20 AUDIT PLAN** *(Pages 23 - 38)*

A report from the Interim Deputy Chief Finance Officer is attached.

### **9 ANNUAL PLAN FOR 2020/21** *(Pages 39 - 62)*

A report from the Interim Deputy Chief Finance Officer is attached.

<b>Minutes of:</b>	<b>AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	25 February 2020
<b>Present:</b>	Councillor M Whitby (in the Chair) Councillors R Gold, M Hayes, Sarah Southworth, R Walker, S Walmsley and S Wright
<b>Also in attendance:</b>	Lisa Kitto, Interim Deputy Chief Finance Officer Karen Murray, Partner, Mazars Janet Spelzini, Audit Manager Councillor N Jones Chloe Ashworth, Democratic Services
<b>Public Attendance:</b>	1 Member of the public was present at the meeting.
<b>Apologies for Absence:</b>	Councillor D Silbiger and Councillor D.Vernon

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#### **AU.1      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.2      MINUTES OF THE LAST MEETING**

It was agreed that the Minutes of the last meeting held on 19 November 2020 be approved as a correct record and signed by the Chair.

#### **AU.3      MATTERS ARISING**

Further to the last meeting Councillor Walker asked whether some research could be undertaken to see what value is added by employing an empty property officer.

#### **AU.4      ANNUAL GOVERNANCE STATEMENT 2019/20**

Lisa Kitto, Interim Deputy Chief Finance Officer provided the Committee with a report that set out the action plan and timetable to ensure compliance with the production of an Annual Governance Statement for 2019/20.

The deadline for completing the ASG is 31 July in line with the deadline for approval of the accounts.

**It was agreed:**

1. Members noted the report and key dates for compiling the annual governance statement.

## **AU.5 ACCOUNTING POLICIES REVIEW AND CLOSURE OF ACCOUNTS 2019/20**

Lisa Kitto, Interim Deputy Chief Finance Officer provided the Committee with a report that set out the process for the production of the statement of accounts 2019/20 including a review of the accounting policies.

The Committee were informed that whilst there has been no change in the substance of the accounting policies, they have been streamlined in line with the latest guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of which is to provide clearer and more transparent information.

### **It was agreed:**

1. Members note the accounting policies to be used in the production of the statement of Accounts 2019/20

## **AU.6 ANNUAL AUDIT LETTER FOR 2018/19**

Karen Murray - Partner - Mazars presented a report summarising the outcome from the local audit work in relation to the 2018-2019 audit year.

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

Outstanding matters and conclusions reached were detailed within the letter.

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

Questions were raised regarding extra fees incurred. It was confirmed that this arose due to complex and technical work.

### **Delegated decision:**

1. That the contents of Annual Audit Letter be accepted.

## **AU.7 AUDIT STRATEGY MEMORANDUM 2019/20**

Karen Murray, Director and Engagement Lead, Mazars LLP, Bury's External Auditors, presented a report setting out Mazars Audit Strategy Memorandum for Bury Council for the year ending 31 March 2020.

The document summarised the audit approach, highlighted significant audit risks and areas of key judgements and provided the Audit Committee with details of the Mazars audit team.

The report set out the audit scope, approach and timeline and outlined the procedures that will be performed at different stages of the audit.

The audit approach was explained as being a risk based approach. A risk assessment will be completed which will help to develop the audit strategy and design audit procedures in response to the assessment.

Materiality thresholds were detailed and it was explained how these were set and monitored in relation to Bury Council. To comply with International Standards on Auditing (UK) it was explained that three types of audit differences would be reported to the Audit Committee;

- Summary of adjusted audit differences;
- Summary of unadjusted audit differences; and
- Summary of disclosure differences (adjusted and unadjusted)

The report included the approach to Value for Money and a summary of the work that will be undertaken to reach a conclusion;

- Risk assessment
- Risk mitigation work
- Other procedures

The Significant Value for Money risks were explained and it was reported that for the 2019/20 financial year three significant risks had been identified for inclusion;

- Management Override of controls
- Property, plant and equipment valuation (Land & Buildings and investment properties)
- Defined Benefit Liability Valuation

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

Questions around the formal pooling arrangement of s75 agreement, funding framework and other initiatives where the Council is aligning with the CCG were raised. Specific request were made around the auditing of the CCG and if further work should be done for the external auditors to work together.

Karen explained that the Council have external auditors and the CCG also have external auditors. It was agreed that further work should be done to work together to ensure value for money.

### **Delegated decision:**

1. That Karen be thanked for her attendance at the meeting
2. That the contents of the report be noted.
3. A joint CCG and Council Audit Committee be organised
4. A discussion between the CCG and Council Auditors takes place.

## **AU.8 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.9 INTERNAL AUDIT PROGRESS REPORT**

The Audit Manager submitted a report briefing the Committee Members on the work being carried out currently by Internal Audit in line with the Annual Audit Plan 2019/2020.

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

**Delegated decision:**

That the contents of the report be noted.

**AU.10 INTERNAL AUDIT PLAN 2020/21**

The Interim Deputy Chief Finance Officer presented a report setting out the proposed approach to developing the Internal Audit Plan for 2020/21.

The report and the appendices set out the overall strategy for producing the plan including adopting a risk based approach. It was proposed that as a result of the new approach that the final plan be presented to the Audit Committee in June 2020.

Progress reports will be submitted during the year and an Annual Report will be presented following the completion of the 2020/21 financial year.

**Delegated decision:**

1. That the Audit Committee agree the approach to the development of the internal audit plan 2020/21 and agreed that the plan be presented to the committee in June 2020.
2. To obtain an update at a future meeting regarding the risk register.

**AU.11 CARBON NEUTRALITY**

It was requested that the Audit Committee make a commitment to be as paperless as possible and papers are limited at meetings.

**AU.12 LGA AUDIT TRAINING**

Councillor Whitby, Audit Committee Chair advised the Committee that she had recently attended an LGA training session which she found useful and interesting and encouraged all members to attend a future course.

**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

May 2020





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### 1. Summary

### 2. National publications

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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

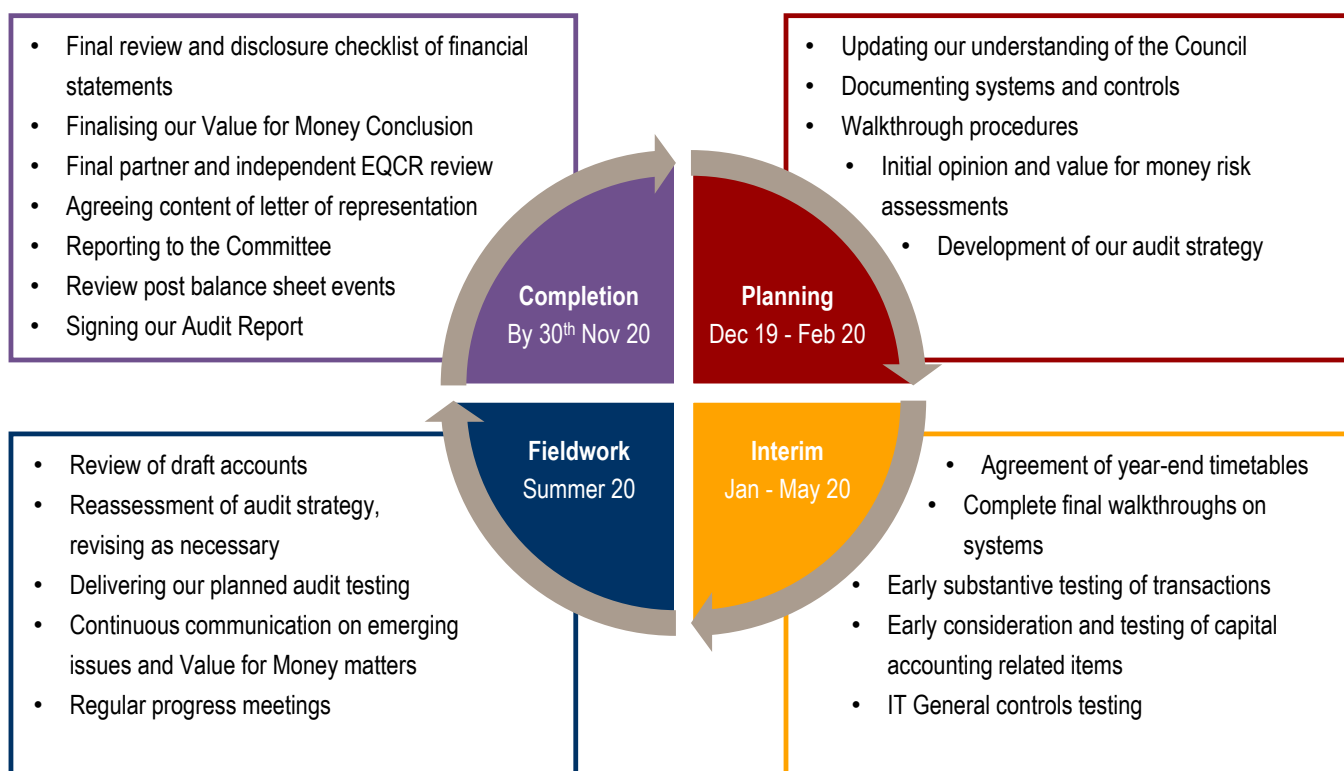
This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditor as well as setting out any non-audit assurance work carried out and also summarising key national publications that may be of interest to Members.

## Responding to 2018/19

We have been working with your finance team to understand how they are addressing the issues that arose in relation to the 2018/19 accounts and audit process. We are in regular dialogue to understand progress against the actions that your team have identified and put in place, particularly around Property, Plant & Equipment (PPE) and the accounts production processes.

## Audit progress

Our key audit stages are summarised in the diagram shown below. Our Audit Strategy Memorandum (ASM) for 2019/20 was presented to this Committee 25 February 2020. There are no significant matters arising from our audit work that we are required to report to you at this stage. However, following the presentation of the ASM to the Committee, there have been significant national issues arising as a result of the Covid-19 pandemic, the implications of which are considered overleaf. The main impact in relation to the accounts is the changes to the financial reporting timetable.



# 1. AUDIT PROGRESS

## MAZARS' RESPONSE TO COVID-19

During the ongoing coronavirus situation, Mazars has implemented clear and decisive measures to ensure the welfare of our people and clients while ensuring that we continue to deliver for those who rely on us.

### Ensuring resilience and maintaining the level and quality of client service

- Beyond protecting the welfare of our clients and people, Mazars' first priority is to continue to deliver on our business commitments. As part of our existing contingency planning, we have implemented systems and procedures to ensure continuity and to minimise any disruption.
- Our teams have full access to remote working technology with secure access to their applications, tools and data, wherever they are, and agile working processes are well-established across the firm.
- In a shifting environment, we will continue to adapt our approach to best navigate the uncertain situation while keeping our people and our clients front of mind.
- All partners and staff are working remotely, and our teams are making full use of virtual meetings and agile working technology to stay connected with each other and our clients, deliver on our commitments, and provide continuity and support at the time it's most needed.

Mazars' external website contains further details of its response to the emerging situation, along with daily economic briefings.

<https://www.mazars.co.uk/>

### Responding to changes – working with Bury Metropolitan Borough Council

All Mazars' staff moved to remote working from the 16<sup>th</sup> March 2020. We are committed to supporting the Council as best we can throughout the coming period, recognising first and foremost, the need to be flexible as the current environment changes and also potential pressures on the finance team at the Council. We will maintain open communication throughout this period.

We are able to carry out the audit remotely and will put in place arrangements to allow this: e.g. regular virtual update meetings, shared site for secure transfer of data and keeping a queries log. The key difference is we will not, subject to any changes, have a physical on-site presence. We will maintain communication via regular webex / video calls.

### Revised deadlines, scope and testing strategy

Local government accounts deadlines have been revised; the original and revised deadlines are set out below.

Our testing strategy and assessment of risks, as set out in our Audit Strategy Memorandum, will be updated to take account of the emerging situation and brought to the Audit Committee at a later meeting. We revisit our testing strategy and assessment of significant risks on an on-going basis throughout the audit.

	Original key date	Revised key date
Submission of draft accounts and Annual Report	31 <sup>st</sup> May 2020	31 <sup>st</sup> August 2020
Audit Committee	July 2020	TBC
Submission of final accounts and Annual Report	31 <sup>st</sup> July 2020	30 <sup>th</sup> November 2020

## 2. SUMMARY OF NATIONAL PUBLICATIONS

This section of our report contains national publications which may be of interest to the Council, including recent publications in respect of Covid-19.

There have been many different briefings across different sectors, in respect of the emerging crisis and more are being published on an on-going basis. This summary does not intend to provide an exhaustive list of all recent publications, but to provide an overview of key areas.

Within Mazars, we liaise with the regulators for your sector on a regular basis and this will continue during the coming periods, so that we ensure we are up-to-date with emerging issues; we feed back any messages as part of on-going two-way communications.

	Publication/update	Key points
<b>Ministry of Housing, Communities and Local Government (MHCLG)</b>		
1.	<b>Fraud control in emergency management</b>	The guidance states there is an inherently high risk of fraud, and it is very likely to happen.
<b>National Audit Office (NAO)</b>		
2.	<b>Code of Audit Practice</b>	New Code governing work of auditors, applying from 1 April 2020 for 2020/21 audit years.
3.	<b>NHS Financial Management and Sustainability</b>	The NHS is treating more patients but has not yet achieved the fundamental transformation in services and finance regime needed to meet rising demand. If integrated care systems are to be successful, funding mechanisms and incentives need to support collaborative behaviours.
<b>Local Government Association (LGA)</b>		
4.	<b>Guidance for Councillors</b>	Guidance to support Councillors in supporting their wards; being updated on a regular basis.
<b>Financial Reporting Council and other regulators</b>		
5.	<b>Statement in respect of current situation</b>	Highlights the impact for auditors and organisations and also the likelihood of an increase in modified opinions.
<b>Mazars LLP</b>		
6.	<b>Response to Covid-19</b>	As summarised earlier in this report



## 2. NATIONAL PUBLICATIONS

### 1. Fraud control in emergency management, *MHCLG*, March 2020

This guidance is for leaders and fraud experts in government bodies and local authorities that are administering emergency programmes on behalf of the UK Government.

The UK Government is responding with measures to mitigate the economic and social impact of the COVID-19 pandemic. Sadly, fraudsters will try to take advantage of these emergency measures.

Government is committed to understanding these risks and taking action to reduce them, whilst dealing with the fraud that occurs where it can.

The fraud threat posed during emergency situations is higher than at other times, and all public bodies should be attuned to the risks facing their organisations and the public sector. Public bodies can reduce the threat of widespread fraud by integrating low-friction controls into payments where possible, and carrying out post-event assurance work.

The Cabinet Office has formed a COVID-19 Fraud Response Team to assist the government with its counter fraud response.

<https://www.gov.uk/government/publications/fraud-control-in-emergency-management-covid-19-uk-government-guide>

### 2. Code of Audit Practice, *National Audit Office*, March 2020

The final draft of the Code has now been approved by Parliament and will come into force on 1 April 2020. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards. The NAO is now developing the detailed statutory Auditor Guidance Notes (AGNs) that will support the new Code. The most significant changes will be made to the guidance on auditor's work on arrangements to secure value for money (AGN 03) and auditor reporting (AGN 07). We plan to engage with stakeholders to develop this guidance over the coming months and will consult publicly in the summer/autumn of 2020.

We will brief the Committee on changes as more guidance emerges over the year. Key messages from the new Code are summarised below:

#### Audit of the financial statements

Auditors must still comply with underlying auditing standards.

#### Value for money arrangements

- Removal of 'except for' and 'adverse' conclusions.
- Work based around 3 reporting criteria
  - Financial sustainability
  - Governance
  - Improving the 3Es
- Auditors must report when they are not satisfied that arrangements are in place. Where weaknesses are identified, recommendations are expected at any time of the audit.

#### Auditor reporting

- Auditor's Annual Report introduced
  - Replaces Annual Audit Letter
  - Includes enhanced commentary against each of the specified VFM reporting criteria
  - To be issued in line with the audit report on the financial statements

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

## 2. NATIONAL PUBLICATIONS

### 3. NHS Financial Management and Sustainability, *National Audit office, February 2020*

The NAO has published its eighth report on financial sustainability of the NHS: NHS Financial Management and Sustainability. The report:

- summarises the financial and operational performance of the NHS as a whole in England in 2018/19;
- examines the financial performance of local NHS organisations; and
- examines NHS service transformation and sustainability.

The report concludes that the NHS is treating more patients but has not yet achieved the fundamental transformation in services and finance regime needed to meet rising demand. The short-term fixes that the Department of Health & Social Care (DHSC), NHS England and NHS Improvement (NHSE&I) put in place to manage resources in a constrained financial environment are not sustainable. The extra money brought in to stabilise the finances of NHS bodies has continued to drive volatility and variability among trusts, while patient waiting times continue to deteriorate and the number of people waiting for treatment continues to increase.

Years of short-term funding decisions for the health sector means that resources have moved away from areas of investment in the future, such as the workforce, public health and capital. This will need to be rebalanced to ensure that the ambitions set out in The NHS Long Term Plan are realised.

To bring about lasting stability, the NHS needs a financial restructuring programme not just a recovery programme. If integrated care systems are to be successful, funding mechanisms and incentives need to support collaborative behaviours. The delivery of long-term financial sustainability is at risk unless every organisation is on a realistic path to breaking even. Until the Department and NHSE&I have implemented more sustainable solutions and dispensed with short-term financial fixes, the NAO cannot conclude that they have delivered value for money through their collective actions.

<https://www.nao.org.uk/report/nhs-financial-management-and-sustainability/>

### 4. Guidance for Councillors, Local Government Association, March 2020

This guidance focuses on specific issues relevant to councillors' involvement in our work leading and protecting communities, as well as in delivering the full range of normal services. Inevitably, there will be significant changes to how councils manage these responsibilities over the coming months.

This guidance highlights the role that individual ward councillors can play in supporting their communities through these difficult times. More than ever before, their role as civic and community leaders requires them to offer visible, responsible leadership that links community-led support with council structures to help build and sustain our overall resilience. Using social media and other means to link with the neighbourhood support groups that have developed in recent days will be an important part of this.

<https://www.local.gov.uk/covid-19-outbreak-councillor-guidance>

## 2. NATIONAL PUBLICATIONS

### 5. Statement on Covid-19, Financial Reporting Council and other Regulators, March 2020

A joint statement was issued by the Financial Reporting Council, the Financial Conduct Authority and Prudential Regulation Authority in response to the current situation.

The statement sets out that:

*“Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity. Equity and debt capital markets play a vital role providing finance to these businesses and will aid the recovery. Governments and regulators around the world remain focused on keeping capital markets open and orderly.*

*Capital markets rely on timely, accurate information. Investors and other stakeholders rely on financial reporting – backed by high-quality auditing. However, companies and their auditors currently face unprecedented challenges in preparing and auditing financial information”*

This statement highlights:

- highlights likelihood of more modified opinions (where difficulties in obtaining evidence or other issues);
- going concern assumption considerations and uncertainties; and
- guidance for companies and auditors.

<https://www.fca.org.uk/news/statements/joint-statement-fca-frc-pra>





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19 May 2020

Dear Mike

### **External Audit 2019/20 – understanding management processes and arrangements**

We are required by auditing standards to maintain a good understanding of your management processes and arrangements. This enables us to deliver an efficient audit, and reduces the time the Council staff needs to spend responding to our queries. As part of this process I would be grateful if you could provide a response to the following questions:

- What processes are in place at the Council to:
  - undertake an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent and frequency of these assessments);
  - identify and respond to **risks of fraud**;
  - **communicate to employees the Council's views on business practice and ethical behaviour** (for example by updating, communicating and monitoring against relevant codes of conduct); and
  - **communicate to the Audit Panel the processes for identifying and responding to fraud or error.**
- How does management gain assurance that **all relevant laws and regulations have been complied with?** Have there been any instances of non-compliance during 2019/20?
- Are there any **actual or potential litigation or claims that would affect the financial statements?**
- **What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships.** For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2020.

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In addition to the above, which cover the Council's processes and controls, **Appendix 1 includes further questions to ascertain your views on fraud.** Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work undertaken in 2019/20.

I would be grateful if you could respond by letter or email on behalf of the Council by 19 June 2020. In the meantime, please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

**Ian Pinches**

Audit Manager



## Appendix 1

Question	Response
1. Are you aware of any <b>actual, suspected or alleged instances of fraud</b> during the period 1 April 2019 – 31 March 2020 ( <i>if 'yes', please provide details</i> )?	
2. Do you suspect fraud may be occurring within the organisation?	
3. Have you identified any specific fraud risks within the Council?	
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively ( <i>if 'yes', please provide details</i> )?	
5. If not where are the risk areas?	
6. How do you encourage staff to report their concerns about fraud?	
7. What concerns about fraud are staff expected to report?	
8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	
10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	
11. Are there particular balances in the accounts where fraud is more likely to occur?	
12. Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	



Question	Response
13. Could a false accounting entry escape detection? If so, how?	
14. Are there any external fraud risk factors, such as collection of revenues?	
15. Are you aware of any organisational or management pressure to meet financial or operating targets?	
16. Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	
17. What arrangements has the Council put in place in response to the Bribery Act 2010?	



Councillor Whitby  
Chair of the Audit Committee  
Bury Council  
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19 May 2020

Dear Councillor Whitby

**Audit 2019/20 - understanding those charged with governance processes and arrangements**

We are required by auditing standards to maintain a good understanding of the Council's management processes and arrangements. This enables us to deliver an efficient audit, and reduces the time the Council's staff need to spend responding to auditors' queries. As part of this process I would be grateful if you could provide a response to the following questions on behalf of the Audit Committee:

- How do you exercise oversight of management's processes in relation to:
  - undertaking an **assessment of the risk that the financial statements may be materially misstated due to fraud or error** (including the nature, extent and frequency of these assessments);
  - identifying and responding to risks of fraud in the Council, including any specific **risks of fraud** which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
  - **communicating to employees its view on business practice and ethical behaviour** (for example by updating, communicating and monitoring against the Council's code of conduct); and
  - communicating to you the processes for **identifying and responding to fraud or error**.
- How do you **oversee management processes** for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2019/20? If so, please provide details.
- How do you gain assurance that **all relevant laws and regulations have been complied with**? Are you aware of any instances of non-compliance during 2019/20? If so, please provide details.

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- Are you aware of any **actual or potential litigation or claims that would affect the financial statements**? If so, please provide details.
- Have you carried out a **preliminary assessment of the going concern assumption** and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern? If so, please provide details.

In addition to the above, which cover the Council's processes and controls, **Appendix 1 includes further questions to ascertain your views on fraud**. Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work undertaken in 2019/20.

I would be grateful if you could respond by letter or email on behalf of the Audit Committee by 26 June 2020. In the meantime, please don't hesitate to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

**Ian Pinches**  
Audit Manager



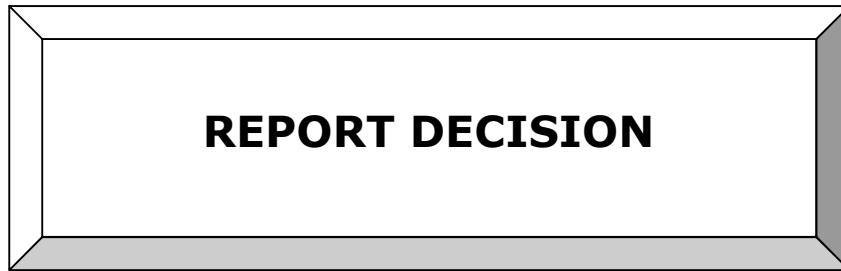
## Appendix 1

Question	Response
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2. Do you suspect fraud may be occurring within the organisation?	
3. Have you identified any specific fraud risks within the Council?	
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively ( <i>if 'yes', please provide details</i> )?	
5. If not where are the risk areas?	
6. How do you encourage staff to report their concerns about fraud?	
7. What concerns about fraud are staff expected to report?	
8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	
10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	
11. Are there particular balances in the accounts where fraud is more likely to occur?	
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13. Could a false accounting entry escape detection? If so, how?	
14. Are there any external fraud risk factors, such as collection of revenues?	
15. Are you aware of any organisational or management pressure to meet financial or operating targets?	
16. Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	
17. What arrangements has the Council put in place in response to the Bribery Act 2010?	





Agenda Item	
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**MEETING:** AUDIT COMMITTEE

**DATE:** 2<sup>nd</sup> JUNE 2020

**SUBJECT:** INTERNAL AUDIT ANNUAL REPORT 2019/20

**REPORT FROM:** INTERIM DEPUTY CHIEF FINANCE OFFICER

**CONTACT OFFICER:** LISA KITTO

**MEETING:** AUDIT COMMITTEE

**DATE:** 2<sup>ND</sup> JUNE 2020

**SUBJECT:** INTERNAL AUDIT ANNUAL REPORT 2019/20

**REPORT FROM:** INTERIM DEPUTY CHIEF FINANCE OFFICER

**CONTACT OFFICER:** LISA KITTO

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**TYPE OF DECISION:** Non key.

**FREEDOM OF INFORMATION/STATUS:** **NOT FOR PUBLICATION** by virtue of Paragraph 14 of Part 1 of Schedule 12(a) to the Local Government Act 1972 (exempt information relating to any action taken, or to be taken, in connection with the prevention, investigation or prosecution of crime).

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**SUMMARY:** This report outlines the work of the Internal Audit Service throughout 2019/20 and provides the overall annual opinion of the Council's control environment.

**OPTIONS & RECOMMENDED OPTION** Members are asked to:

- Note the contents of the report

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**IMPLICATIONS:**

<b>Corporate Aims/Policy Framework:</b>	Yes
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**Financial Implications and Risk Considerations:**

There are no financial implications arising from this report.

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

The internal audit report is a statutory requirement.

**Equality/Diversity implications:**

None.

**Considered by Monitoring Officer:**

Yes

**Are there any legal implications?**

No

**Staffing/ICT/Property:**

There are no direct resource implications arising from the report.

**Wards Affected:**

The work of Internal Audit impacts on all of the Council's wards and Township Forums.

**Scrutiny Interest:**

None

**TRACKING/PROCESS**

**DIRECTOR: Mike Woodhead**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	✓Chair		
Scrutiny	Cabinet	Committee	Council
		Audit 2/06/2020	

# **Internal Audit Annual Report 2019/20**

“Providing assurance on the management of risks”



## Internal Audit Annual Report 2019/20

### **“Providing assurance on the management of risks”**

This document summarises the results of internal audit work during 2019/20 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the Authority’s control environment.

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#### **Opinion**

Based upon the results of work undertaken during the year my opinion is that the Authority’s control environment provides adequate assurance that the significant risks facing the Authority are addressed.

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#### **Context**

This report outlines the work undertaken by the internal audit between 1 April 2019 and 31 March 2020.

Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of these arrangements.

Internal Audit is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards.

The primary role of audit to provide assurance to the organisation, Chief Executive, Executive Directors, S151 Officer and the Audit Committee, and ultimately the taxpayers that the Authority maintains an effective control environment that enables it to manage its significant business risks. The service helps the Council achieve its objectives and provide assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Authority's control environment which feeds into the Annual Governance Statement.

---

### Internal audit work during 2019/20

The underlying principle to the 2019/20 plan was risk and accordingly audits were only completed in areas that represent an *'in year risk'*.

The methodology adopted in preparing the plan, and the plan itself, were approved by the Audit Committee on 26 February 2019.

Since the original plan was approved, some planned audits were not undertaken as a higher than anticipated amount of time was required on advisory and investigative work.

Variations to the plan during the year are inevitable if the plan is to adequately reflect changing circumstances and the changing organisation. The net effect is that although the work undertaken during the year was different to that anticipated 12 months ago, the majority of the agreed audits have been completed, or are substantially complete and in the process of being finalised. This work will be carried forward in the 2020/21 annual audit plan.

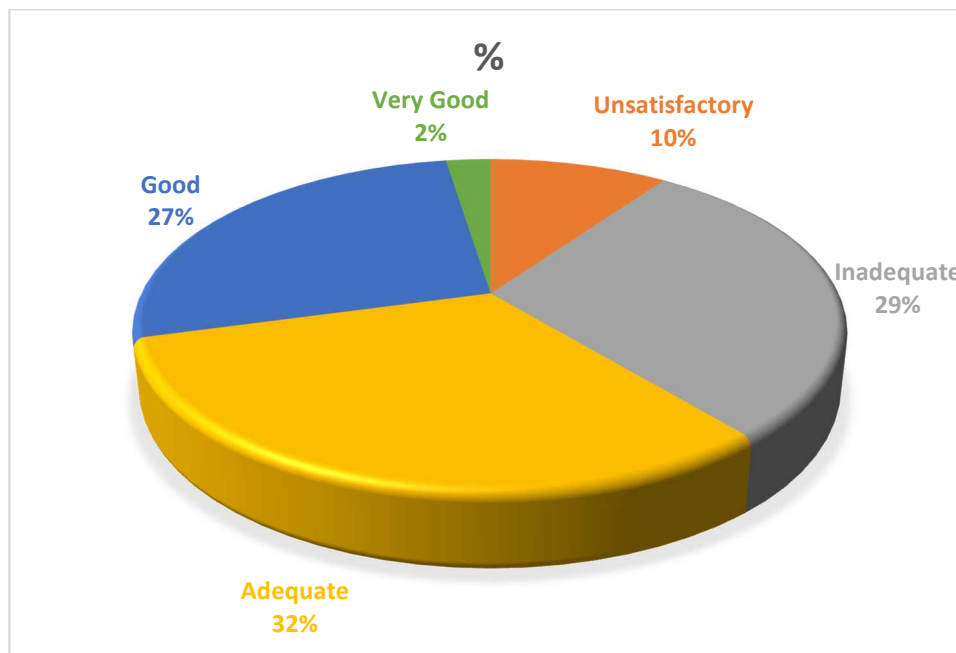
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### Summary of assurance work

The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits will be given one of five levels depending on the strength of controls and the operation of those controls. The five categories ranging from the lowest to highest are Unsatisfactory, Inadequate, Adequate, Good, and Very Good. The opinion reflects both the design of the control environment and the operation of controls. The Audit Committee has received regular reports during the year summarising audits undertaken.

As shown in the following chart the outcome of 61% of audits completed in 2019/20 are positive having an adequate, good or very good opinion. There are however a significant proportion of audits where controls were considered to be inadequate or unsatisfactory. Most of these relate to specific areas rather than represent an across the board breakdown in controls but there are some topics which have a wider impact. To provide some assurance going forward, additional time has been added into the 2020/21 audit plan to carry out follow up audits and to evidence that

recommendations have been actioned. The key issues arising from all audits have been reported to the Audit Committee throughout the year.



A full list of the assurance work completed during the year is given in Appendix A.

The Council, and local government generally, continues to face significant challenges, including the ongoing financial challenges and the need to deliver savings. The Council has also undergone some restructuring and it is important that controls and governance remain in place and that there is an understanding of responsibilities and accountabilities.

Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. The current categories used, in increasing order of importance are: Low (Merits attention), Medium and High.

During the year 189 recommendations were made to address weaknesses in control which would otherwise not have been identified. 97% of the recommendations made were accepted by management and positive responses were received to indicate that they would be implemented. Explanations for non-implementation of audit recommendations were given by the responsible managers and were detailed in the action plans which accompanied reports submitted to Members throughout the year.

At the time of writing this report, it is noted that three reports have been issued for which management responses have not yet been received. These are included in the summary of reports issued at Appendix 1.

Recommendations are followed up to ensure that they are implemented and details of all follow-up reviews undertaken are provided to Audit Committee. Those recommendations showing as "Outstanding" are therefore subject to scrutiny by

Audit Committee Members who may call in managers to explain delayed progress where appropriate. Details of audits which were followed up during 2019/20 are provided at Appendix 2.

As outstanding recommendations are currently not actively tracked any further by Internal Audit, a fresh look is being taken at the process for monitoring implementation of recommendations and arrangements during 2020/21 as this is seen as a key part of internal control. Audit reports are also being refreshed and updated as well as the assurance levels and opinions. This will provide a sharper focus in the future that will aid the internal audit function and promote and instil principles of good governance across the council.

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### Schools

Included in the work outlined above weaknesses in governance, risk management and control were identified at various schools. However, this should not be taken as indicative of the picture at all maintained schools. The outcome of this work has been considered in detail by the Audit Committee.

Further work has been undertaken in Childrens and Young People service, taking a thematic approach to topics within schools. These reviews are currently being finalised and will be issued as soon as they are available. There are no indications of any serious concerns arising at the moment.

The annual accounts for a small number of School Voluntary funds and Out of School Care Clubs were examined, as requested by the schools. Additionally, a request for a piece of work was also undertaken for an Academy. A small fee was collected for these pieces of work.

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### Summary of non-assurance work

#### Special investigations

The size and complexity of the Council means that some irregularities are inevitable and therefore, in addition to planned assurance work, a small number of special investigations were needed during the year. Internal Audit assisted with / advised Human Resources regarding disciplinary issues as well as providing advice to Departments regarding suspected irregularities. The significant issues arising were reported to the Audit Committee during the year.

Suspected frauds can be reported to our dedicated whistleblowing hotline 0161 253 6446 or by email to [Whistleblowing@bury.gov.uk](mailto:Whistleblowing@bury.gov.uk)

### Advice

Internal audit is most efficient when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems development. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During the year advice was requested for a small number of issues and not for any major system changes. Work is currently being undertaken to ensure that Departments are aware that they should approach Internal Audit as a consultancy resource and a contingency is to be built into the annual audit plan for 2020/21 so that resources are available to meet any consultancy requests.

### Certification

Audit is required to certify a number of grant claims the main ones relating to the Troubled Families Programme and the Local Growth Fund. These were all cleared satisfactorily.

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## Effectiveness

This section of the report sets out information on the effectiveness of the service and focuses on compliance with the Public Sector Internal Auditing Standards (PSIAS) and customer feedback.

A full externally conducted quality assessment of the service was conducted during 2016. The report of that assessment concluded that the audit service “partially conformed to the expectations of the Public Sector Internal Audit Standards.” Work since then has been undertaken to address the recommendations made and as the review is due to be undertaken again in 2021, work is to be programmed in the 2020/21 annual audit plan to ensure that the service self-reviews against the standards and ensures all recommendations from the previous review have been addressed.

To assist with planning for the 2021 review and to guide the development of the Internal Audit Service, a recent high level review of internal audit was commissioned. This report has recently been received and it is noted that it has identified that the Internal Audit Team are keen to deliver an effective compliant



service within the Council, however, there are a number of historical, operational and cultural factors within both the team and the wider Council that inhibit the effectiveness of the team. The report includes a series of recommendations and these will be addressed throughout 2020/21. The audit plan for 2020/21 will include a time resource to ensure that developments needed within the service are addressed.

In accordance with best practice there is a rigorous internal review of all work undertaken by senior staff and the results feed into the staff appraisal process.

Following most audits a “post audit questionnaire” is issued to the relevant managers asking for their views on the conduct of the audit. The questionnaire includes a range of questions covering the audit approach, reporting format, etc. A key feature of the audit role is the need to sometimes be critical of existing or proposed arrangements. There is therefore an inherent tension that can make it difficult to interpret surveys.

The post audit questionnaire responses returned continue to evaluate the audit process and value of reports as excellent / good and a number of positive comments and compliments about the service provided have been received, including.

It is clearly important for any audit service to keep abreast of best professional practice. The internal audit service is fortunate in having strong links with colleagues both within Greater Manchester and nationally. The Service has a group membership to the Institute of Internal Auditors providing its staff with technical and professional support. At a regional level there are networking opportunities for auditors specialising in schools, ICT, contracts and fraud. As well as good opportunities for continuing professional development and sharing best practice these activities provide advance information on new developments which can be reflected in the audit plan.

The Authority can be confident that a good quality Internal Audit service continues to be provided.

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### Opinion

It is the responsibility of the Council to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under PSIAS to provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation’s governance, risk and control framework (i.e. the control environment) and a summary of the audit work from which the opinion is derived.

No system of control can provide absolute assurance against material misstatement / loss or eliminate risk, nor can Internal Audit give that assurance. The work of internal audit is intended only to provide reasonable assurance on controls. In assessing the level of assurance to be given, I have taken into account:

- all audits completed during the year;
- audits which are in draft and where a management response is awaited;
- any follow-up action taken in respect of audits from previous periods;
- any fundamental recommendations not accepted by management and the consequent risks;
- anticipated outcome from audits currently in draft;
- the effect of non-assurance work undertaken during the year;
- the outcome of an independent health-check of the Council's risk management arrangements; and
- the effect of any significant changes in the Authority's systems; and matters arising from previous reports to members.

Some significant issues have arisen during the year but action plans have been agreed with the relevant managers to address the weaknesses identified. Where weaknesses have been identified they have tended to relate to specific parts of the organisation rather than an across the board breakdown in controls. Those audits involving major control weaknesses are in the minority and in general terms, controls are sufficient to prevent or detect serious breakdowns in systems and procedures. However, it is clearly important that issues identified during the year are addressed.

Further work to develop a risk based approach in the future is required and this has been reflected to some extent, in the 2020/21 internal audit plan. Some of the themes emerging from the 2019/20 audit work will influence key areas for review in the 2020/21 financial year.

I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's governance, control and risk processes.

Based upon the results of work undertaken during the year my opinion is that the Authority's governance, control and risk management provides adequate assurance that the significant risks facing the Authority are addressed.



## Appendix A

Summary of audits completed during the year.<sup>1</sup>

Audit		Level of Assurance	Report Date	Total no of recs made	No of High recs made	No of high recs accepted
	<b>Resources and Regulation</b>					
1	Investment Properties	Adequate	25.10.19	8	0	n/a
2	Council' s Ability to deliver Budget Cuts	Unsatisfactory	20.11.19	2	1	1
3	CCTV	Inadequate	29.10.19	4	0	n/a
4	Bury Support Fund	Adequate	28.11.19	1	0	n/a
5	Transport Stores	Inadequate	20.8.19	17	0	n/a
6	Debtors System	Inadequate	20.8.19	8	0	n/a
7	Cash and Bank Key Controls	Adequate	3.7.19	1	0	n/a
8	Council Tax Key Controls	Good	8.8.19	3	0	n/a
9	Creditors Key Controls	Adequate	25.6.19	4	0	n/a
10	Housing Benefit Key Controls	Good	8.8.19	1.	0	n/a
11	NNDR Key Controls	Good	14.8.19	1	0	n/a
12	Main Accounting Key Controls	Adequate	3.9.19	4	0	n/a
13	Security Service	Unsatisfactory	7.10.19	10	1	1
14	Electoral Register	Good	11.6.19	1	0	n/a
15	Flood Risk Management	Good	5.2.19	2	2	n/a
16	Creditors Payments to Consultants	Unsatisfactory	20.6.19	8	2	2
17	Planning Applications	Adequate	26.4.19	4	0	n/a
18	Treasury Management Key Controls	Good	12.6.19	2	0	n/a
19	Building Control	Inadequate (draft)	Draft 14.1.20	11	0	n/a
20	Ethical Governance	Unsatisfactory (draft)	Draft 19.7.19	15	1	n/a
	<b>Six Town Housing</b>					
21	Damp and Condensation	Adequate	28.11.19	5	0	n/a
22	Complaints	Good	28.11.19	3	0	n/a

<sup>1</sup> Note that some of these audits started in 2018/19

23	Lone Working	Very Good	10.12.19	0	0	n/a
24	Housing Rent Key Controls	Good	26.6.19	3	0	n/a
25	Asbestos Risk Management	Inadequate	27.2.19	7	0	n/a
26	Travellers Site	Adequate	3.5.19	4	0	n/a
27	Insurance	Inadequate	13.2.20	5	0	n/a
28	GDPR	Adequate (draft)	Draft 11.5.20	7	0	n/a
	<b>Persona</b>					
29	Spurr House	Adequate	3.7.19	9	0	n/a
30	Business Continuity Planning	Inadequate	8.2.19	1	1	1
	<b>Childrens and Young People</b>					
31	Academisation	Good	20.8.19	2	0	n/a
32	Hollins Grundy	Adequate	17.7.19	2	0	n/a
32	St Pauls	Inadequate	22.7.19	15	0	n/a
32	St Stephens	Inadequate	7.2.19	11	0	n/a
35	Bury C of E	Adequate				n/a
36	St Andrews	Inadequate	7.2.19	12	0	n/a
37	Springside	Good	20.3.19	2	0	n/a
38	St John with St Mark	Adequate	8.5.19	6	0	n/a
39	New Kershaw Centre	Inadequate	15.4.19	11	0	n/a
	<b>Communities and Wellbeing</b>					
40	Winter Maintenance	Inadequate	29.10.19	7	0	n/a
41	CRC	Good	2.2.19	1	0	n/a

## Appendix B

## Summary of follow ups completed during the year.

		Report date	Recs made	Recs accepted	Follow up date	Recs implemented
	<b>Childrens and Young People</b>					
1	St Michaels RCP School	24.1.18	15	15	Sep 19	14
2	St Joseph's RC School	21.6.18	5	5	July 19	5
3	St Stephens Primary School	7.2.19	11	11	Oct 19	8
4	Holcombe Brook Primary	22.1.19	5	5	Sep 19	5
5	Ribble Drive Primary	12.12.18	4	4	Sep 19	3
6	Butterstile Primary	15.1.19	2	2	Sep 19	2
7	Greenhill Primary	20.11.18	1	1	July 19	1
8	Old Hall Primary	24.1.19	5	5	Sep 19	5
9	Bury C of E High	3.4.19	10	10	Nov 19	9
10	St Andrews Primary	7.2.19	12	11	Oct 19	9
11	Springside Primary	20.3.19	2	2	Sep 19	2
12	New Kershaw Centre	15.4.19	11	11	Nov 19	11
	<b>Communities and Wellbeing</b>					
13	Better Care Fund	2.7.18 Care Fund	3	3	July 19	2
14	Public Health and Wellbeing	13.12.18	7	7	June 19	7
	<b>Persona</b>					
15	Performance Indicators	10.8.18	5	5	June 19	4
16	Petty Cash	3.12.18	3	3	Oct 19	3

	<b>Resources and Regulation</b>					
17	Council Tax Key Controls	1.6.18	1	1	May 19	0
18	Treasury Management Key Controls	18.6.18	2	2	March 19	0
19	Creditors Key Controls	24.5.18	1	1	June 19	1
20	HB Key Controls	19.6.18	1	1	June 19	1
21	Debtors Key Controls	11.6.18	6	6	April 19	1
22	Main accounting key controls	22.8.18	2	2	July 19	1
23	Payroll Key Controls	22.8.18	8	7	Aug 19	6
24	Virtualisation	21.11.18	4	4	Oct 19	2
25	Flood Risk Management	4.9.19	2	2	Sep 19	0
26	Planning Applications	26.4.19	4	2	Oct 10	2
	<b>Six Town Housing</b>					
27	Housing Rent Key Controls	13.6.18	1	1	March 19	1
28	Creditors and Procurement	15.11.18	7	7	Sep 19	7
29	Customer Contact Centre	1.10.18	2	2	Sep 19	2
30	Payroll	2.11.18	4	4	Sep 19	4
31	Legionella	15.11.18	5	5	Sep 19	5
32	Performance Management	15.1.19	3	3	Sep 19	3
33	Asbestos	27.2.19	7	7	Sep 19	7

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

**DATE:**                        **2<sup>nd</sup> JUNE 2020**

**SUBJECT:**                    **INTERNAL AUDIT PLAN 2020/21**

**REPORT FROM:**            **INTERIM DEPUTY CHIEF FINANCE OFFICER**

**CONTACT OFFICER:**    **LISA KITTO**

**MEETING:**                      **AUDIT COMMITTEE**

**DATE:**                        **2<sup>ND</sup> JUNE 2020**

**SUBJECT:**                    **INTERNAL AUDIT PLAN 2020/21**

**REPORT FROM:**            **INTERIM DEPUTY CHIEF FINANCE OFFICER**

**CONTACT OFFICER:**    **LISA KITTO**

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**TYPE OF DECISION:**        Non key.

**FREEDOM OF INFORMATION/STATUS:**    **NOT FOR PUBLICATION** by virtue of Paragraph 14 of Part 1 of Schedule 12(a) to the Local Government Act 1972 (exempt information relating to any action taken, or to be taken, in connection with the prevention, investigation or prosecution of crime).

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**SUMMARY:**                      This report sets out the context of the Internal Audit Service and explains the approach to the compilation of the 2020/21 internal audit annual plan. The annual plan is incorporated at Annex 1 to the report.

**OPTIONS & RECOMMENDED OPTION**        Members are asked to:

- Note the contents of the report
- Approve the annual audit plan for 2020/21;

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**IMPLICATIONS:**

<b>Corporate Aims/Policy Framework:</b>	Yes
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**Financial Implications and Risk Considerations:**

There are no financial implications arising from this report.

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

The internal audit plan is a statutory requirement.

**Equality/Diversity implications:**

None.

**Considered by Monitoring Officer:**

Yes

**Are there any legal implications?**

No

**Staffing/ICT/Property:**

There are no direct resource implications arising from the report.

**Wards Affected:**

The work of Internal Audit impacts on all of the Council's wards and Township Forums.

**Scrutiny Interest:**

None

**TRACKING/PROCESS**

**DIRECTOR: Mike Woodhead**

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	✓Chair		
Scrutiny	Cabinet	Committee	Council
		Audit 2/06/2020	

# **Internal Audit Plan**

## **2020/21**

“Providing assurance on the management of risks”



## Internal Audit Plan 2020/2021

### **“Providing assurance on the management of risks”**

This document sets out the Internal Audit Plan 2020/2021 for Bury Council. These services are provided by the Internal Audit Service of Corporate Core - Finance Directorate. This document complements the Audit Charter and the Council's Risk Management Framework. In accordance with current best practice the role of the audit committee is to review and approve the internal audit plan.

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### **The Role of Internal Audit**

All organisations face risks in every aspect of their work: policy making, decision taking, action and implementation, regulation and spending, and making the most of their opportunities. The different types of risk are varied and commonly include financial risks, IT risks, supply chain failure, physical risks to people, and damage to the organisation's reputation. The key to the Council's success is to manage these risks effectively.

The Council has a statutory responsibility to have in place arrangements for managing risks; The Accounts and Audit Regulations 2015 state that a local authority is responsible for ensuring that its financial and operational management is effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk. The Regulations require accounting systems to include measures to ensure that risk is appropriately managed.



The requirement for an internal audit function is also contained in the Regulations which require the Authority to:

“Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

The Council has delegated its responsibilities for internal audit to the Joint Chief Finance Officer (S151 Officer).

## Definition of Internal Auditing

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

The key word in the definition is assurance, the role of audit is not to identify or investigate alleged irregularities, it is to provide assurance to the organisation (the Chief Executive, Executive Directors, Directors and the Audit Committee) and ultimately the taxpayers that the authority maintains an effective control environment that enables it to manage its significant business risks. The assurance work culminates in an annual opinion on the adequacy of the Authority’s governance, control and risk management processes which feeds into the Annual Governance Statement.

Different parts and levels of an organisation play different roles in managing risk, and the interplay between them determines how effective the organisation as a whole is in dealing with risk. The Institute of Internal Auditors uses a “three lines of defence” model to explain internal audit’s unique role in providing assurance about the controls in place to manage risk:

**Figure 1: Three lines of defence model**

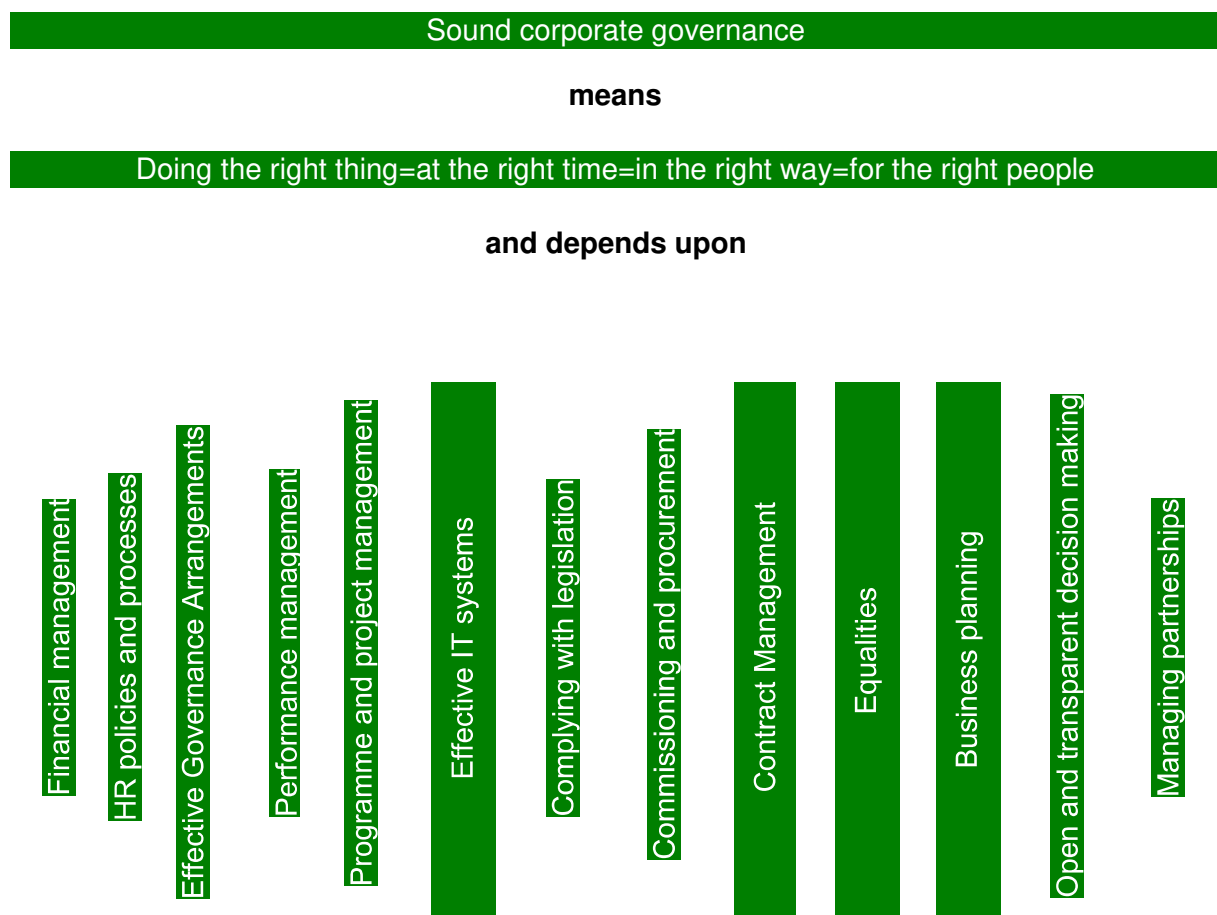


The management of risks is the responsibility of every manager. Sitting outside the processes of the first two lines of defence, audit’s main roles are to ensure that the first two lines of defence are operating effectively and advise how they could be improved.

We develop and then deliver a programme of internal audits to provide independent reasonable assurance to senior management and members that significant risks are being addressed. To do this, we will evaluate the quality of risk management processes, systems of financial and management control and governance processes and report this directly and independently to the most senior level of management. In accordance with regulatory requirements most individual assurance assignments are undertaken using the risk based systems audit approach and are not usually designed to identify potential frauds.

The focus of our work continues to be primarily key corporate processes although the 2020/21 audit plan is being developed to also have a focus on high level risks and change processes. Audits of this nature are a more effective use of limited resources are key to providing the appropriate assurance to the Council that its overall governance, control and risk management arrangements remain effective.

**Figure 2: Key corporate processes**



We give an opinion on how much assurance systems give that significant risks are addressed. We use four categories of opinion: Full, Substantial, Moderate and Limited assurance.

A report, incorporating an agreed action plan, will be issued for every audit.

The results of audits are also reported to the Council's Audit Committee. Audit reports have recently been updated and a new template will be used for all audits in 2020/21. To assist managers in prioritising areas for improvement, recommendations are classified as: Fundamental, Significant and Merits Attention.

---

### Vision, purpose and values

A professional, independent and objective internal audit service is one of the key elements of good governance in local government.

As a modern effective risk and assurance service we aim to:

- Act as a catalyst for improvement and provide insight on governance, control and risk management;
- Influence and promote the ethics, behaviour and standards of the organisation;
- Develop a risk aware culture that enables customers to make informed decisions;
- Be forward looking; and
- Continually improve the quality of our services.

A key driver of this strategy is the need to meet all our customers' needs, which in the context of the Council are the Audit Committee, Chief Executive, Executive Directors and Directors.

The Council will continue to be affected by a variety of local and national issues:

- Funding pressures faced by local government;
- Increased growth in partnerships and collaborations, for example with health, other parts of the public sector and the private sector;
- Ever increasing use of technology to deliver services;
- Flexible working arrangements to make more effective use of accommodation;
- The introduction of new ways for customers and the public to access services;
- Pressure to reduce the cost of administrative / support functions while improving quality / effectiveness;
- Responding to organisational changes and development
- Responding to COVID 19 and the emerging challenges that this is posing both internally and externally.

These, and other developments, will mean increased pressure on the service to review existing systems and provide advice on new and complex initiatives within reducing resources. There is also the challenge of working in a COVID 19 world and reviewing what and how we perform our duties and remain effective. We must add value and help deliver innovations in service delivery. To respond to the demands on us we will:

- Continue to develop our staff to ensure we are fully equipped to respond to our customer's demands;
- Continue to invest in modern technology to improve efficiency and effectiveness;
- Add value and make best use of our resources by focussing on key risks facing our customers;
- Increasingly work in partnership with clients to improve controls and performance generally;
- Continue to buy in specialist help – particularly in IT.
- Review our processes and implement improvements where we can; and
- Ensure our learning and development remains current and reflects best practice.

---

## Services

In addition to undertaking audits the Service is developing to support the organisation by also providing the following services:

### Consultancy

The Council will face major changes in culture, systems and procedures over the coming years and we are able to provide advice on the governance, control and risk implications of these changes. The service will act as a critical friend. Particular emphasis is put on project governance and process design.

We are seeking to develop our knowledge and understanding of the management of risk so we are able to **challenge** current practice, **champion** best practice and be a **catalyst** for improvement, so that the Council as a whole achieves its strategic objectives.

So, for example, when a major new project is being undertaken we can help to ensure that project risks are clearly identified and that controls are put in place to manage them. Where possible this has been reflected in our audit plan for the coming year.

It is more constructive for us to advise on design of processes during the currency of a change project rather than identify problems after the event when often it is too late to make a difference and it is possible to use less resource to identify key points than in a standard audit - timely advice adds more value than untimely. Discussion have been held with Directorate Management teams to identify key projects.

**Challenge**

**Champion**

**Catalyst for  
improvement**

### Irregularities

As a publicly funded organisation the Council must be able to demonstrate the proper use of public funds. It is the responsibility of every manager to have systems



in place to prevent and detect irregularities. However, if an irregularity is identified or suspected managers are required to notify the Service and will need professional support to investigate the matter.

All significant investigations will be undertaken by the Service but more minor matters will be referred back to the relevant manager to progress with support from the audit team. The decision on which cases will be investigated will be made by the Acting Head of Internal Audit.

### Counter fraud

Although responsibility for operating sound controls and detecting fraud is the responsibility of management, the Service has a key supporting role. In particular, we are responsible for maintaining and publicising the Council's anti-fraud policy, maintaining records of all frauds and, as a deterrent, publicising proven frauds.

The Service also coordinates the Council's participation in the National Fraud Initiative. Relevant managers are best placed and hence are responsible for investigating matches identified by the NFI but we do maintain an overview of progress.

A separate counter fraud team is also in place within the Council. This team focuses on preventing fraud from entering the Council and undertakes investigations relating to application fraud (e.g. Housing Benefits, Council Tax, Direct Payments, Blue badges).

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## Plan 2020 / 2021

To ensure the best use of limited audit resources audit work needs to be carefully planned. We have sought to align our work with the Council's risk base this year, by liaising with senior management and taking into account:

- the overall environment in which the Council has to operate
- its aims, strategies, key objectives, associated risks
- risk management processes, and
- national surveys and intelligence on risk areas along with data on actual frauds at Bury.

Our plan also takes into account those topics which have not recently been audited or which feature in the corporate risk register or which when last audited received a low opinion. We are reviewing our training and development plan to ensure that auditors have access to various professional networking meetings which highlight the wider issues affecting public sector internal audit which need to be reflected in the programme of work.

## General context and key themes

The outlook for Local Government remains demanding. The impact of COVID-19 together with other pressures on the national economy, Brexit related risks, and uncertainty around long term government policy present significant challenges to the Council. Loss of income, uncertainty around future funding and increasing pressures in demand-led services are also concerns.

At the Council's budget meeting in February 2020, a savings target of £27.7m was identified for the 5-year period to 31 March 2025. Since then, it has become clear that the financial gap is likely to significantly increase due to COVID-19. It follows, then, that the organisation will face considerable challenges in meeting its aims and objectives.

During 2019/20, great progress was made in the creation of the One Commissioning Organisation (OCO), deepening integration with NHS Bury CCG, pooling £290m of funds, aligning a further £119m and increasing joint commissioning and governance arrangements at scale. There was also the development of the Corporate Core and significant changes to personnel at senior levels in the organisation. The transformation programme will continue in 2020/21.

The Council is therefore part way through a period of major transformational change in the midst of unprecedented economic uncertainty and challenge and, as a result, the Council's risk profile has changed in the period since the last plan was agreed. In a climate of significant change and uncertainty it is important that core governance, risk management and financial control arrangements are robust and consistently being followed across the organisation. A key focus of the plan for 2020/21 is therefore to provide assurance on these core processes.

Our primary customers remain the Chief Executive, Executive Directors, Directors and the Audit Committee but we will take into account the views of other managers when refining the scope of audits and will accommodate them as long as requests do not divert us from addressing the core scope as agreed with the Audit Committee.

Further significant changes in processes and policies are likely during the coming year and internal audit will need to support this work and provide advice on the governance, risk management and control implications of the changes. Whilst providing advice is good practice and an effective use of resources sufficient audits are required across the Council's risk profile in order to deliver the annual "Head of Audit" opinion.

Given the limitations on audit resources there is an increasing need for more reliance to be placed by the Council on second line of defence functions (such as Finance, HR and Procurement) and potentially audit will increasingly need to provide assurance on the effectiveness of those functions especially as budget constraints will inevitably also impact on them and hence on the overall assurance framework. The plan therefore includes more of an emphasis on such functions. We will avoid undertaking roles that are



properly the responsibility of the first or second line of defence – these managers need to have sound controls and monitoring systems in place rather than relying on periodic internal audits to provide them with assurance. Assurance that these management functions are being properly discharged will be tested as part of the audit work.

In general we plan not to do any individual schools audits instead focusing on the arrangements the Council has in place to identify as early as possible, and subsequently support, schools causing concern / in difficulty. Where a potential and significant financial irregularity is suspected at a school we will investigate but we will not investigate minor suspected irregularities and will expect schools to resolve these albeit with some support from audit as well as other support functions from across the council including finance and school advisers. Similarly, there is little value that an audit can add where the Council already knows of issues at a particular school.

### The detailed plan

Based upon discussions with senior managers and our professional judgement an estimated number of days have been allocated to each potential topic. Demonstrating the assurances planned on each strategic risk and being transparent about auditable topics that cannot be audited are key requirements of internal audit professional standards and we therefore adopt a top down approach with the plan being driven by key risks.

The outline plan in Annex 1 shows those topics that we are planning to audit. This will be further developed as we aim to develop the audit universe for the Council. An update on this will be provided during the year. The plan takes into account the resources available within the audit service, risk and other assurance frameworks that exist from which the council can gain assurance.

As in previous years the plan covers one year which is accepted best professional practice. As we strive to improve our service indicative timings of audits have been reflected in the plan for the first time. This not only provides a focus for the service in ensuring we are able to monitor and track progress against our plans but enables services to work with us so that audits are not timed at peak time, or in the case of projects, before some of the key activity has taken place. Timings are subject to review during the year e.g. when risks change or a specific project becomes a matter of priority or a significant fraud has to be investigated.

In addition to the assurance and advisory work listed provision has also been made in our work plan to:

- Undertake investigations,
- Provide advice on a consultancy basis to Directorates;
- Undertake fee based work – reviewing the accounts of Voluntary School Funds and Out of School Care Clubs as requested by individual schools;
- Explore an approach to undertaking joint projects with the CCG Internal Audit Team;
- Deliver an internal audit service to Six Town Housing and Persona;
- Complete outstanding 2019/20 audits, and

- To undertake development work for the internal audit section, including assurance mapping of Directorates to feed the audit plan for 2021/2022.

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### **Quality Assurance and Improvement Programme**

The Public Sector Internal Audit Standards (PSIAS) require the Acting Head of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QAIP) covering all aspects of the internal audit activity.

The QAIP includes internal assessments, periodic self-assessments and external assessments and is not only designed to assess the efficiency and effectiveness of Internal Audits, but also to enable an evaluation of the internal audit activity's conformance with the definition of internal auditing and the PSIAS and an evaluation of whether internal auditors apply the Code of Ethics. We have an Audit Manual based on accepted professional practice which as well as being compliant with PSIAS builds quality into every stage of the audit process. An external review of the Internal Audit Section has recently been undertaken and a report has now been received. This is currently being examined and an action plan is being established to ensure that recommendations are addressed. Some key areas of improvement have been identified and some of these have been reflected in the proposed plan. This work includes a revision of the QAIP for the service which will be undertaken and provided to the next Audit Committee in July 2020.

CORPORATE GOVERNANCE AND RISK					
Directorate	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Days	Proposed Timing
Corporate Core	Health and Safety	Potential damage to health / wellbeing or loss of life which may result in claims, reputational damage, litigation or corporate manslaughter	Review of Health and Safety at Corporate level - CPFA matrix	15	QTR1
Corporate Core	Risk Management and Assurance Framework	Failure to identify major risks that may prevent the Council from achieving one or more of its objectives. Failure to ensure that the major risks are being managed.	Review of risk management arrangements at Corporate level – review of the Council's risk management strategy and arrangements for the maintenance of risk registers. Review the associated information management system and reporting arrangements.	15	QTR2
Corporate Core	Complaints Procedures	Failure to comply with Council policy and regulations, potential for reputational damage should a complaint be taken to the Ombudsman.	Review of system for receiving and dealing with complaints.	15	QTR3
Corporate Core	FOI /Subject access	Failure to comply with Council policy and regulations, potential for reputational damage should a complaint be taken to the Ombudsman.	Review of system for receiving and dealing with FOI / SAR requests.	15	QTR4

Corporate Core	Recruitment Process	Failure to undertake robust pre-employment checks (right to work in the UK etc.) which may result in reputational damage or financial penalties.	Review of recruitment process – including assurance over the design and operation of the recruitment process including: 1 completeness and timeliness of pre-employment checks 2 completeness, accuracy and timeliness of adding new employees to the payroll 3 monitoring by HR of compliance with pre-employment and recruitment processes 4 an appropriate division of duties is enforced by the system	15	QTR4
Corporate Core	Members Allowances and Members Delegated Funds	Loss of accountability, lack of corporate ownership of decision making and possible failure to deliver the expected level of services to residents.	Routine review to focus on the transparency and compliance of the arrangements in place for administration of payments to Members.	10	QTR2
Corporate Core	Governance arrangements / AGS	Loss of accountability, lack of corporate ownership of decision making and possible failure to deliver the expected level of services to residents.	Review the methodology for producing the annual governance statement, ensuring that it reflects the code of governance, is in line with CPFA guidance and is adequately supported by evidence. Review the Decision Making process	26	QTR2/3
Operations	Health and Safety	Potential damage to health / wellbeing or loss of life which may result in claims, reputational damage, litigation or corporate manslaughter	Review of Health and Safety arrangements within Operational Services, including the identification of services provided and the risk assessments in place.	15	QTR3

SERVICE REFORM (Core Financial Systems)					
Corporate Finance	Finance Systems - key controls	Errors and omissions resulting in weaknesses in the integrity of financial data and statements	Routine annual review of high level controls within the key finance systems: Council Tax NNDR Housing Benefits Treasury Management Payroll Creditors Main Accounting Debtors Cash Collection and Banking.	56	QTR 4
Corporate Finance	National Fraud Initiative	Statutory requirements are not complied with	Manage and co-ordinate the NFI including additional checks on data matches where appropriate.	15	QTR3 and QTR 4
Corporate Finance	COVID 19 Expenditure	Grant funding may be used inappropriately.	Review the arrangements in place for the distribution of funds received, and the monitoring of the use of funds. In addition review the arrangements in place for ensuring that all COVID 19 expenditure is captured and recorded to ensure that grant income is utilised.	5	QTR 3
Corporate Finance	I-Trent - Payroll – Additional hours / overtime payments	Failure to respond effectively and efficiently to any major incident.	Review arrangements to manage and process timekeeping (shift work) and overtime effectively as the self-serve module is introduced in i-trent. Cover all directorates, and report to each Executive Director with results of findings.	15	QTR2

Corporate Finance	Unit 4 - Land and Property Valuations	Inaccurate information may be held in the financial accounts.	Review the process for valuing land and property and the updating of records in the CONCERTO system and the subsequent reconciliation of the CONCERTO system with Unit 4.	15	QTR 1
SERVICE REFORM (Grants and Verification)					
Corporate Finance	Grant Claims	Failure to comply with grant arrangements.	<p>Certification of those grant claims required to be certified by the Council's head of internal audit.</p> <p>Anticipated during 2020/21 include:-</p> <p>Local Growth Fund Transport – Bus subsidy Cycle City Highways, Potholes and Flood Resilience</p>	16	QTR 3
Children and Young People	Pupil Premium	Government funding may be used inappropriately and monies may be clawed back.	Review arrangements for the administration of the Pupil Premium grant, the distribution to schools and how the grant is used and accounted for by the schools.	15	QTR2
Children and Young People	Dedicated School Grant	<p>The deficit on the dedicated schools grant continues to increase.</p> <p>The reputation of Bury Council and its school is damaged by failure to meet national requirements</p>	An audit work programme is to be established in September 2020 as part of COVID 19 recovery.	20	QTR3 / 4



Communities and Wellbeing / One Commissioning Organisation	Troubled Families	Failure to comply with grant requirements and failure to deliver programme objectives.	Routine annual review. GMCA have been granted devolved powers over the programme and are collaboration to develop a more traditional / risk based approach to the annual assurance work. Reviews to be undertaken once / twice a year as directed by GMCA and the devolution agreement.	10	QTR2/3
PLACE AND PEOPLE					
All services	Car Allowances	Fraudulent expense claims may be submitted and paid. Un-licensed drivers and unsafe vehicles may be utilised which could result in accident, subsequent damage to reputation of Council and financial claims being made.	Review of procedures in place to ensure mileage claims are adequately recorded, with sufficient information being provided, that adequate management checks on driver licences and vehicle insurance and safety checks are undertaken, and that claims are appropriately authorised and paid at the correct rate.	30	QTR 1
All Services	Purchase Cards	Inappropriate use of purchase cards leading to fraud or financial loss	Evaluate controls over and usage of purchase cards to ensure compliance with guidance.	20	QTR1
Corporate Core	CCTV	Failure to adhere to the agreement and follow the CCTV Code of Practice could impact on the Council's reputation and reliance placed on the CCTV function in supporting other agencies and community safety.	Annual review as required by CCTV agreement.	5	QTR4

Corporate Finance	Mobile Phones	Mobile phones costs maybe excessive and additionally costs may also be incurred for phones which are used infrequently and may no longer be required.	Review policy for issue and use of mobile phones and arrangements for the monitoring of usage of phones and associated phone costs. Ensure costs are not incurred for employees who leave the organisation and that contracts are cancelled where appropriate.	10	QTR1
Children and Young People	Adoption Services	Reputational damage to Council if inappropriate placements are made.	Review of management of contract with Regional Adoption Agency. Ensure appropriate placement checks are undertaken and that expenditure incurred is appropriate and authorised.	10	QTR2
Children and Young People	Independent Foster Agency	Inability to place "looked after children" with suitable families or promptly as the need arises.	Review of the use of IFA's, including the controls in place to help ensure cost effectiveness and manage quality and quantity of placements.	10	QTR2
Children and Young People	Care Packages	Failure to comply with Council policy and legislation when procuring goods / services / administering contracts with suppliers. Best value may not be achieved and high cost care packages may not be challenged.	A review of the process for the calculation and award of care packages for vulnerable children, and the billing and payment processes around care processes to provide assurance that financial risks are mitigated. Also consider the financial controls in particular authorisation for changes to rates and providers.	15	QTR2
Children and Young People	School and College Transport	Children with special educational needs may be excluded from Education as they may not have any available transport / support to enable them to be able to travel to and from school.	Review the management and contractual arrangements over SEN transport to ensure outcomes for service users are achieved and risks to the service users and the Council are mitigated.	15	QTR3

Communities and Wellbeing / One Commissioning Organisation	Home care packages	Failure to comply with Council policy and legislation when procuring goods / services / administering contracts with suppliers. Best value may not be achieved and high cost care packages may not be challenged.	A review of the process for the calculation and award of care packages for vulnerable adults, and the billing and payment processes around homecare processes to provide assurance that financial risks are mitigated. Also consider the financial controls in particular authorisation for changes to rates and providers.	15	QTR3
Communities and Wellbeing / One Commissioning Organisation	ICES Store	Weaknesses in the control of assets and stock may result in losses and / or increased costs.	Review the arrangements to manage the assets (equipment) and stock of care equipment held at the new premises in Bury Town Centre.	10	QTR2
Communities and Wellbeing / One Commissioning Organisation	Pooled budgets CWB and CCG	Use and monitoring of pooled budgets may not be effective.	Joint review to be undertaken with CCG to ensure that pooled budget arrangements are appropriate that funds are identified and used appropriately, with adequate budget monitoring in place.	20	QTR3/4
Operations	Grounds Maintenance	Health and Safety issue - risk of fatality from falling trees, resulting in claims being made against the Council with the potential for significant financial penalties.	Review of grounds maintenance – to identify work undertaken to keep the Borough a safe place - a work programme, costings, allocation of works, monitoring of works.	15	QTR4
Operations	Highways and Footway Maintenance	Budget cuts may have led to a reduced ability to maintain a safe and passable highway, - risk of fatality. This may lead to increased reputational damage as there is the potential for claims to be made against the Council which may incur significant financial penalties.	Review of highways maintenance – work programmes, allocation of works and subsequent monitoring, and costs.	20	QTR3

Operations	Fleet Management	Vehicles and plant may be mis-used / mis-appropriated	Review to assess the security of the vehicle and plant equipment and the arrangements in place to ensure that all items can be accounted for.	10	QTR2
Operations	Taxi Licences	Potential damage to health / wellbeing or loss of life. Reputational damage to the Council and potential financial claims.	Review the system in place for the issue of licences to taxi driver licences to applicants, ensuring that appropriate checks are made to ensure that individuals have a right to work in the UK and hold the appropriate driving licence.	10	QTR2
Operations	Architectural Practice Fee Income	Income due may not be collected, effecting cash flow of the Council. Additionally errors and omissions resulting in weaknesses in the integrity of financial data and statements	Review the processes in place to ensure that income due to the service is correctly calculated in line with any agreements in place, and that the income is collected and posted to the accounts promptly.	10	QTR3
Operations	Income	Income due may not be collected, effecting cash flow of the Council. Additionally errors and omissions resulting in weaknesses in the integrity of financial data and statements.	Work to be undertaken as part of COVID 19 recovery, to look at areas including Leisure Memberships, Civic Centre bookings and Markets	30	QTR3 /4
Operations	Parks	Failure to comply with Council policy and legislation when procuring goods / administering contracts with suppliers.	Review the processes in place for the procurement of goods and services ensuring that due process is followed, and that adequate supporting records are maintained.	10	QTR2
Business Growth and Infrastructure	Estates Property Management	Inaccurate information may be held in the financial accounts and income due may not be collected	Review the management arrangements over the rental estates portfolio to ensure that adequate records are maintained, income due is collected promptly and valuations are regularly undertaken and updated in the Councils accounts.	15	QTR3

CONTRACTS					
Corporate Finance	STH Client Management arrangements	Failure to implement the clauses in place in the management agreement could provide a risk of financial loss to the Council in addition to reputational damage.	A new agreement has been implemented and a review is required to ensure that the terms of the agreement are being adhered to.	15	QTR2
Corporate Finance	Persona	Failure to implement the clauses in place in the management agreement could provide a risk of financial loss to the Council in addition to reputational damage.	A new agreement has been implemented and a review is required to ensure that the terms of the agreement are being adhered to.	15	QTR2
Business Growth and Infrastructure	Regeneration Projects	Failure to comply with Council policy and legislation	Identify regeneration projects that have / are taking place. Review a project to ensure that best practice was followed, considering project initiation, procurement of works, ongoing monitoring, and administration of payments, record keeping and post project implementation review.	10	QTR3
All Services	Contract register	Failure to comply with Council policy and legislation when procuring goods / administering contracts with suppliers.	Review the arrangements to identify contracts in place and ensure adequate information is held to ensure that contracts are renewed on a timely basis.	10	QTR2
SUPPORT / SYSTEMS IMPLEMENTATION					

Communities and Wellbeing	CONTROCC	Failure to adequately secure systems could result in a data breach, loss of service / downtime and loss of data.	Provision to support system implementation	5	TBA
Communities and Wellbeing / One Commissioning Organisation	Direct Payments	Funds provided to meet individuals social care and support needs are not being used as agreed and fail to deliver anticipated outcomes.	The service is planning to undertake a beginning to end review of the Direct Payment process and have asked for Internal support with this.	5	TBA
Corporate Core Finance	I-Trent	Failure to adequately secure systems could result in a data breach, loss of service / downtime and loss of data.	Provision to support system implementation	5	TBA
Corporate Core Finance	Income collection / Debtors and Write off procedures	Errors and omissions resulting in weaknesses in the integrity of financial data and statements. Legislation may be breached. Inappropriate debts may be written off.	Request for audit support to Treasury Management function to identify income sources, document collection and banking procedures and to determine if making tax digital agenda is being adhered to. Additional work includes a review of the revised write off procedures when they have been updated.	15	TBA
Corporate Core Finance	Unit 4 - Making Tax Digital	Failure to comply with legislation could result in reputational damage and financial penalties.	Provision included to support the Management Accountancy Team in systems development to ensure that the making tax digital agenda is adhered to. The work will need to focus on expenditure, including petty cash and income streams which feed the annual accounts.	15	TBA
			TOTAL	668	

<b>OTHER COMMITMENTS</b>	
<i>Activity</i>	<i>Indicative Days</i>
Completion of audits commenced during 2019/20	20
External Traded Services - -perform audits of School Fund and Out of School Club accounts	10
Audit work for Six Town Housing and Persona (separate audit plans)	95
Post Implementation Reviews and Action Tracking	24
Contingency for GMCA Collaboration / reactive GM assurance work	5
Contingency for Investigations and supporting the council's counter fraud strategy	30
Development of joint working arrangements with Mersey Internal Audit Agency (CCG Auditors)	3
Audit Management, including service development, assurance mapping, QAIP, anti-fraud and corruption strategy, audit planning and Committee support	40
Contingency for reactive or unplanned work, management request, consultancy work	20
Provision of ICT review – by Salford Computer Audit Services (System Licencing)	20
Total:	267
Combined Total:	935

