

Minutes of: AUDIT COMMITTEE

Date of Meeting: 30 July 2020

Present: Councillor M Whitby (in the Chair)
Councillors R Gold, M Hayes, Sarah Southworth and
D.Vernon

Also in attendance: Lisa Kitto, Deputy Chief Finance Officer
Ian Kirby, CIPFA C.co
Karen Murray, Mazars
Janet Spelzini, Audit Manager
Mike Woodhead, Joint Chief Finance Officer

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

Apologies for Absence: Councillor D Silbiger, Councillor R Walker and Councillor
S Wright

AU.132 DECLARATIONS OF INTEREST

Councillor Sarah Southworth declared a personal interest in any item relating to Persona and Townside Fields as her husband's accountancy business has been awarded the contract to audit both companies.

AU.133 MINUTES OF THE LAST MEETING

It was agreed:

That the Minutes of the last meeting held on 2 June 2020 be approved as a correct record and signed by the Chair

AU.134 MATTERS ARISING

Councillor Southworth explained that she had requested that an update on the Empty Property Officer. As yet, no update had been received.

AU.135 DRAFT STATEMENT OF ACCOUNTS 2019/20

Mike Woodhead reported that the Council is required to prepare a Statement of Accounts for each financial year. The accounts must be prepared in accordance with statutory timescales and accounting practices.

It was explained that the timescales for the 2019/20 accounts were revised to provide greater flexibility to Local Authorities in light of the COVID-19 pandemic.

The report sets out the progress against the revised timescales and the process for reporting the findings of the external audit.

The publication date for final, audited, accounts had been moved from 31 July for Category 1 Authorities and 30 September for Category 2 Authorities to 30 November 2020 for all Local Authority bodies (Bury Council is a Category 1 body).

It was reported that the Statement of Accounts have been prepared and are being finalised and it is anticipated that Bury's accounts will be made available for public inspection from 1 August for a period of 30 days. The accounts will be available on the Council's website and a notice to this effect will be published.

It was reported that the next scheduled meeting of the Audit Committee due to meet on 29 September 2020 would need to be moved to a later date in line with the change of publication date.

Delegated decisions:

1. That the revised timescales for the production of the Statement of Accounts be noted;
2. That the the progress made by Bury Council to date and the expected publication date of 1 August 2020 be noted;
3. That the meeting of the Audit Committee scheduled to meet on 29 September 2020 be rescheduled in order to report the findings of the external auditors and to approve the accounts;
4. That the improvement work that has been put in place to address issues raised by the external auditors following the audit of the 2018/19 accounts be noted.

AU.136 DRAFT ANNUAL GOVERNANCE STATEMENT

The Council as part of its Statement of Annual Accounts produces an Annual Governance Statement.

The draft Annual Governance Statement has been completed and sets out key information in the Council's assessment of its internal governance arrangements.

The Annual Governance Statement also sets out key areas of governance concerns and actions that will be undertaken to address these.

The draft Annual Governance Statement is presented for an initial review by the Audit Committee and a final document will be presented to Committee at its next meeting for recommendation for approval at Full Council later in the year.

It was explained that some areas of weakness have been identified and these are set out in the document. A review of governance arrangements is currently underway and will be reported to Audit Committee throughout the year.

Further information how the Council plans to address some of the governance concerns is also set out in an action plan appended to the Annual Governance Statement.

Members of the Committee were invited to ask questions;

- Councillor Hayes referred to the Homes England Grant Claims and asked how much money was involved and for what purpose.

The Homes England Grant Claims related to monies for housing development and the risks highlighted referred to reputational risk going forward. Quality checks had been put in place in relation to this. The exact sums involved were not known and officers made a commitment to provide this at the next meeting.

- Councillor Vernon referred to the processes in relation to procurement requiring updating and training provided to managers. Councillor Vernon asked whether the Council had lost money in relation to procurement opportunities.

It was explained that it was more a case of losing the opportunity to save money. A central consolidated contract register would be implemented to help achieve savings.

- Councillor Vernon referred to the statement relating to the opportunity for fraudulent business and other grant claims during the COVID 19 crisis having been likely and asked what work would be carried out in relation to this.

It was reported that work was being carried out to identify fraudulent activity and any cases that were identified would be dealt with. It was reported that the Council is working within the national requirements and approach that have been established to identify fraudulent activity. All findings would be reported back to the Audit Committee.

- Councillor Whitby referred to the deficit on DSG reserves as set out on page 30. Councillor Whitby asked whether the recovery plan that had been agreed with the DFE was being implemented.

It was reported that the plan was being implemented and other work in this area was also being carried out. A report was due to be presented to Cabinet at a future meeting as well as regular updates.

- Councillor Gold asked what the implications were financially in relation to COVID 19.

Mike Woodhead explained that the impact of COVID 19 would not be reflected within this report as this showed a backward look however he did report that the MTFS would include a range of scenarios.

Lisa Kitto explained that the impact of Covid had been considered as part of the work to produce the draft statutory accounts. This included revaluations of the value of the Council's Investments including Manchester Airport Group and the Greater Manchester Pension Fund. Both had been re-valued by specialist valuers on behalf of the Greater Manchester Authorities, to take account of the impact of Covid, and reflected in the accounts. In addition to this, the Council had considered the impact on its assets including the valuation of property and had also considered the 'Going Concern' requirements.

- Councillor Gold asked about the funding received at the start of the pandemic and asked whether this was included within the report.

It was explained that the Council received £5m before the end of the financial year which has been used to cover losses. The majority of the financial implications of COVID 19 will be seen from the 2020/2021 financial year and onwards.

Delegated decisions:

1. That the Audit Committee notes the draft AGS and provide initial comments;
2. That the Audit Committee notes that the draft AGS will be available on the Council's website from the end of July and available for public inspection, and;
3. That the Audit Committee notes that a final AGS will be presented to Committee in October for approval and for recommendation to Full Council.

AU.137 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT ARRANGEMENTS

It was reported that earlier this year CIPFA C.Co Ltd (C.Co) was asked to review, at a high-level, the arrangements for Internal Audit within the Council.

The review used a mixture of desktop review of key, standard documentation and on-site interviews and review to determine the current state of Internal Audit against best practice and the requirements of the Public Service Internal Audit Standards (PSIAS); and, where appropriate, to provide key recommendations for improvement.

Using a mixture of desktop review of key documentation and on-site review and interview with key stakeholders, C.Co was able to determine 14 key lines of enquiry for detailed review.

Although the Internal Audit team, in particular its Acting Head of Internal Audit, are keen to deliver an effective compliant service within the Council, there are a number of historic, operational and cultural factors within both the team and the wider Council that inhibit the effectiveness of the team. These factors included:

- Little evidence that audit planning is structured, risk-based and contributing to an improvement in the overall control framework;
- No evidence that the learning from individual audits is captured and shared with the wider organisation;
- Little evidence of value or worth placed by the wider organisation in the work of Internal Audit;
- No provision for follow up activity to ensure that recommendations are implemented, with no consequence for non-implementation.

The report identifies 14 recommendations which, if implemented may go some way to addressing the issues identified. However, some of the issues are cultural and will require a structured process of addressing organisational understanding of

the role of Internal Audit, its consultancy capability and opportunity to support the delivery of the Council's wider governance objectives.

The Council is committed to improving governance arrangements across the Council and the recommendations from the report are in the process of being implemented. A detailed action plan and progress to date is set out with the Quarter 1 internal audit monitoring report. In addition to this, a wider review of the internal audit function and service is included in the Council's review of governance that is currently underway and will be reported to Committee on a quarterly basis as part of the quarterly monitoring cycles.

Members of the Committee were given the opportunity to ask questions;

- Councillor Vernon referred to 3.14 of the report which made reference to appropriate feedback from the Audit Committee Chair. Councillor Vernon asked whether this was now happening.

It was reported that this would now be happening.

Delegated decisions:

1. That the Audit Committee notes the content of the report;
2. That the Audit Committee notes that an action plan has been developed and is attached with the Quarter 1 monitoring report;
3. That the Audit Committee acknowledges that the Internal Audit service has already progressed some of the recommendations;
4. That the Audit Committee agrees an appropriate reporting schedule for progress updates.

AU.138 Q1 INTERNAL AUDIT PERFORMANCE REPORT

Janet Spelzini, Acting Head of Internal Audit presented a report setting out the progress to date against the annual audit plan 2020/21. The report enables Members to monitor the work of the Internal Audit service, raise any issues for further consideration and also provide an opportunity to request further information or to suggest areas for additional or follow up work.

The report included an update on the following:

- Audit Plan – Update for the 2020/21 financial year
- Follow up audits
- Anti-fraud and Corruption - Cash Transactions
- Sickness Update
- Performance Indicators

It was explained that the information in relation to cash transactions and sickness levels had been requested by the Audit Committee a number of years ago for inclusion within the reports. Members were asked to consider whether the Committee should still receive this information.

Members were given the opportunity ask questions and the following points were raised;

- Councillor Gold referred to the layout of the report and asked that titles for each column be included on each page.
- Councillor Hayes suggested that information in relation to sickness should be reported to the Human Resources and Appeals Panel.
- Councillor Vernon suggested that the Committee would only need to know about sickness if it affected the work of the Audit team.

Delegated decisions:

1. That the Audit Committee notes the report and the work undertaken by Internal Audit;
2. That the Audit Committee endorses the action plan which has been put forward to address the recommendations made in the review of Internal Audit, and agree the timescales and dates for progress reports to be submitted to Committee;
3. That the Audit Committee agrees that details of sickness statistics for the Council should not be brought to further Audit Committees;
4. That the Audit Committee agrees that details regarding cash transactions above £5000 should not be brought to further Audit Committees;
5. That the Audit Committee notes that performance indicators will be presented to the next Committee meeting for consideration and approval.

AU.139 RISK REGISTERS 2019/20

Lisa Kitto presented a report from the Deputy Chief Executive providing an updated corporate risk register and details how the Council is developing its approach to risk management as part of its wider review of governance.

At the last meeting of the Audit Committee meeting on 2 June 2020, at which Committee requested sight of the Council's risk registers, a review of the approach, structure and content of the Corporate and directorate risk registers has taken place.

The Council had committed to integrating its approach to risk management with its partner the CCG, in order that the Council and One Commissioning Organisation (OCO) operate a common approach to the definition and risks to partnership delivery.

A new framework had been developed which was being managed through a shared system, Pentana. The review found, however, that the Council's approach to risk management was perhaps not mature enough to add value to a partnership approach and, further, a risk that the complexities of the new system has diluted the rigour of approach.

It is therefore proposed that the Council reverts to its own management of risk, but through a framework which is comparable to the CCG to enable read-across and a common assessment of shared risks to the work of the Strategic Commissioning Board.

The new format corporate risk register was attached to the report and it was explained that this register is the first output in a wider review of all corporate, directorate and operational risk registers. In addition to the registers, the review will consider: awareness and understanding; training and development; monitoring and reporting. It is supported by a detailed timetable and action plan and will be fully integrated by December 2020.

The Committee's views were welcomed.

- Councillor Vernon referred to risk no. 5 'Council implicated in the death or serious injury of a child or vulnerable adult' and asked whether this was in relation to something ongoing currently.

It was confirmed that the register did not reflect anything ongoing currently but was a reflection of the Covid situation. It was explained that the risk register looked at things that could happen. An issues register looks at things that have happened. The risk register was also a way of prompting the debate.

- Councillor Vernon referred to the risk relating to GDPR and asked whether there had been any incidences of data breach.

It was explained that this was more a reflection of the current situation with larger number of colleagues working from home the council had to ensure that GDPR processes were in place and relevant.

- Councillor Whitby referred to the new format of the register and stated that she found it more user friendly and accessible.

Delegated decisions:

1. That the Audit Committee note the format of the corporate risk register;
2. That the Audit Committee note the further work to develop an integrated approach to risk register and issues management;
3. That the Audit Committee endorse the action plan for improving the Council's risk maturity level;
4. That the Audit Committee receives regular progress updates in relation to the Risk Register.

AU.140 PROGRESS REPORT

Karen Murray , Partner at Mazars presented a report providing the Audit Committee with an update on progress in delivering their responsibilities as Bury Council's external auditors.

Karen reported the Mazars were now working with the new revised timetable that had been implemented in light of the COVID 19 pandemic. The team were expecting to receive the accounts at the beginning of next week and Karen asked that the hard work of the Council's finance team be noted.

The Council's audit would be delivered over the next few months and Mazars will work closely with the Audit and Finance teams.

Part 2 of the report listed a number of national publications from various organisations that Members may find useful in relation to their membership of the Audit Committee.

Delegated decisions:

1. That the contents of the report be noted.
2. That Mazars thanks to the Council's finance team be recorded.

COUNCILLOR M WHITBY
Chair

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