

## AGENDA FOR

## AUDIT COMMITTEE

*Contact:* Chloe Ashworth  
*Direct Line:* 0161 253 5130  
*E-mail:* a.j.tomlinson@bury.gov.uk  
*Web Site:* www.bury.gov.uk

**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>	Thursday, 30 July 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>	<a href="https://councilstream.com/burycouncil">https://councilstream.com/burycouncil</a>

## **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 - 4)*

The Minutes of the last meeting of the Audit Committee held on 02<sup>nd</sup> June 2020 are attached for approval.

### **4 MATTERS ARISING**

### **5 DRAFT STATEMENT OF ACCOUNTS 2019/20** *(Pages 5 - 8)*

Mike Woodhead, Joint Chief Finance Officer to report at the meeting.  
Report attached.

### **6 DRAFT ANNUAL GOVERNANCE STATEMENT** *(Pages 9 - 32)*

Lisa Kitto, Interim Deputy Chief Finance Officer to report at the meeting.

### **7 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT ARRANGEMENTS** *(Pages 33 - 54)*

A report from Mike Woodhead, Joint Chief Finance Officer is attached.

### **8 Q1 INTERNAL AUDIT PERFORMANCE REPORT** *(Pages 55 - 82)*

A report from the Joint Chief Finance Officer is attached.

### **9 RISK REGISTERS 2019/20** *(Pages 83 - 90)*

A report from Lynne Ridsdale (Deputy Chief Executive) is attached.

### **10 PROGRESS REPORT** *(Pages 91 - 108)*

A report from Ian Pinches, Mazars is attached.

<b>Minutes of:</b>	<b>AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	02 June 2020
<b>Present:</b>	Councillor M Whitby (in the Chair) Councillors M Hayes, D Vernon, S Wright, R Gold, D Silbiger, R Walker, Sarah Southworth and S Briggs
<b>Also in attendance:</b>	Mike Woodhead, Joint Chief Finance Officer Lisa Kitto, Interim Deputy Chief Finance Officer Karen Murray, Partner, Mazars Janet Spelzini, Audit Manager Chloe Ashworth, Democratic Services
<b>Public Attendance:</b>	None
<b>Apologies for Absence:</b>	None

---

#### **AU.1      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.

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 25 February 2020 be approved as a correct record and signed by the Chair.

#### **AU.3      MATTERS ARISING**

Councillor Hayes asked if the Senior Audit Officer is now part of the Senior Leadership team. It was confirmed this has not happened however, the Senior Audit Officer is a part of Senior Finance Team and meeting regularly with Senior Leaders due to the implications of COVID-19.

It was requested that an update on the Empty Property Officer is given, the last budget suggested to appoint one however this has no update yet. It is requested that an update comes to the next meeting on the progress.

#### **AU.4      BURY MBC PROGRESS REPORT**

Karen Murray, Partner at Mazars presented the Audit Progress report which provided the Audit Committee with an update on progress made in delivering their responsibilities as the Council's external auditors since the last Audi meeting on 25<sup>th</sup> February 2020. The report also highlights key emerging national issues and developments including that of Covid-19 which the Committee may find useful.

The biggest change in the report is that the statutory timetable has changed and an update on deadlines for 2019/2020. Submission of draft accounts and Annual Report is now moved from the 31st May 2020 to 31st August 2020 and the submission of final accounts and Annual Report was the 31st July 2020 and is now the 30th November 2020.

**Delegated decision:**

1. That the contents of the report be noted.
2. That Karen be thanked for her report.

**AU.5&6 LETTER TO MANAGEMENT AND LETTER TO TCWG 2019/20**

Mike Woodhead, Joint Chief Finance Officer advised the two letters are standard letters sent out on all audits to gain assurances and those in charge of governance to understand risks.

Nothing in the letter that is out of the ordinary but more to raise awareness that the Committee needs a deep understanding on matters such as fraud, standards of conduct across the Council, compliance with laws and regulations and litigation or claims.

Councillor Hayes requested clarity on what a 'related party transaction' is. It was confirmed this is a transaction is where all parties are listed where the Council may have transactions with businesses that are owned or have an interest in Council members or where the Council has transactions with third part bodies such as the CCG. The purpose of this is to remain transparent regarding conflicts of interest.

Councillor Hayes also sought assurances that the Committee will see the replies of both letters as these are due in by the end of June. The Chair and Mike Woodhead confirmed they are both happy to share their responses with the Committee.

**It was agreed:**

1. Members note the Letter to Management and TCWG
2. Copies of the responses are shared with the Audit Committee

**AU.7 INTERNAL ANNUAL REPORT FOR 2019/20 AUDIT PLAN**

Lisa Kitto, Deputy Chief Finance Officer informed the committee this report is a requirement that audit functions need to produce on an annual basis. As part of the assessment and assurance work, must give an assessment of the level of assurance in Local Government. The report is a new format that has not been viewed until now by the committee.

The report provides a sense of all the audit work undertaken over the last 12 months and opinions on each Audits. These all helped the Internal Audit Manager, Janet Spelzini to be satisfied that there is an adequate level of governance across

the Council. The report assesses each individual audit on various levels from very good to unsatisfactory. Of the Audits that were done last year 62% of the audits achieved an assessment of adequate or above. However it is recognised that there are multiple others that were assessed as inadequate. The Committee was informed that follow up audits had been carried out on the majority of these audits and that the recommendations had been implemented. The follow up work was set out in Appendix B. This shows they were followed up and recommendations made and therefore the positions on those audits will now be different due to the work and will be featured as part of the 2020/2021 Audit plan.

The committee sought assurances on whose opinion the report is based. It was confirmed that they are all of the Audit Manager to reach an opinion.

Lisa Kitto, Deputy Chief Finance Officer advised that the data probably requires more context so clarity on what exactly the topics refer to. The next iteration of this report will consider context to assist.

**Delegated decision:**

1. That the contents of the report be noted.
2. A summary of audits completed during the year (as per Document Pack Page 34) to be circulated to members.

**AU.8 ANNUAL PLAN FOR 2020/21**

Lisa Kitto, Deputy Chief Finance Officer presented a report setting out the proposed activities of the Audit Plan for the coming 2020/21 financial year.

The report and the attached appendices set out the overall strategy for producing the plan, dealing with the issues and risks and ultimately identifying the audit work to be carried out in 2020/21.

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

The committee sought assurances of the allocation and control of accessing and appropriately using COVID-19 response funding streams. The committee were advised some funds are ring fenced and some are not, however these have been worked through with the Audit Manager and viewed in a scrutiny process. We are aware there are still potential risks of inappropriate grant requests and fraud prevention is key.

**Delegated decision:**

That the Audit Committee endorse the plan for 2020/2021.

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

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

This page is intentionally left blank

## REPORT FOR DECISION



<b>DECISION OF:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>30 July 2020</b>
<b>SUBJECT:</b>	<b>Statement of Accounts</b>
<b>REPORT FROM:</b>	<b>Mike Woodhead</b>
<b>CONTACT OFFICER:</b>	<b>Lisa Kitto</b>
<b>TYPE OF DECISION:</b>	<b>NON KEY DECISION</b>
<b>FREEDOM OF INFORMATION/STATUS:</b>	This paper is within the public domain
<b>SUMMARY:</b>	<p>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. The timescales for the 2019/20 accounts were revised to provide greater flexibility to Local Authorities in light of the COVID-19 pandemic. This report sets out the progress against the revised timescales and the process for reporting the findings of the external audit.</p>
<b>OPTIONS &amp; RECOMMENDED OPTION</b>	<p>The Audit Committee is asked to</p> <ul style="list-style-type: none"> <li>• Note the revised timescales or the production of the Statement of Accounts;</li> <li>• Note the progress made by Bury Council to date and the expected publication date of 1 August 2020;</li> <li>• Note that an additional Audit Committee may need to be scheduled in order to report the findings of the external auditors and to approve the accounts;</li> <li>• Note 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.</li> </ul>

<b>IMPLICATIONS:</b>	
<b>Corporate Aims/Policy Framework:</b>	Do the proposals accord with the Policy Framework?      Yes      No
<b>Statement by the S151 Officer: Financial Implications and Risk Considerations:</b>	The Statement of Accounts are a statutory requirement and this report sets out the way in which the Council will be complying with the requirements.
<b>Equality/Diversity implications:</b>	No direct implications
<b>Considered by Monitoring Officer:</b>	Yes      Comments
<b>Wards Affected:</b>	All
<b>Scrutiny Interest:</b>	None

**TRACKING/PROCESS****DIRECTOR:**

Joint Executive Team/CCMT	Cabinet Member/Chair Briefed	Ward Members (if necessary)	Partners
Scrutiny Committee	Other Committee	Council	Comms

## **1.0 BACKGROUND**

- 1.1 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. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which attempt to facilitate the production of accounts in a standardised and consistent format cross the public and private sectors giving greater transparency for stakeholders.
- 1.2 These accounting practices are set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) 2019/20 Code of Practice on Local Authority Accounting in the UK and any additional CIPFA guidance such as the year end Final Accounts Bulletins. Members of the Audit Committee can be assured that the accounts were prepared so that all the requirements of the Code have been complied with.
- 1.3 For 2019/20 the requirements and timeline for the approval of a Local Authority's Statement of Accounts as set out in the Accounts and Audit Regulations 2015 have been revised. It was recognised by the Government that the COVID-19 pandemic would have an impact on the ability of Councils to comply with the statutory deadlines. Therefore, after consultation with key stakeholders, the Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015. The regulations implementing these measures were laid on 7 April and are came into force on 30 April 2020.
- 1.4 The impact on deadlines and timescales is as follows:
  - the publication date for final, audited, accounts was 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).
  - To give Local Authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June (for Category 1 Authorities) and July (for Category 2 Authorities) has been removed. Instead Local Authorities must commence the public inspection period on or before the first working day of September 2020.
- 1.5 This means that draft accounts must be available for public inspection by 31 August 2020 at the latest.
- 1.6 For this year 2019/20, Authorities must publish the dates of their public inspection period, providing a public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2020. The Council has published such a notice.

- 1.7 The legislation requires that following the conclusion of a 30 day period of public inspection the Council must submit the Statement of Accounts for consideration and approval to Committee or by Members meeting as a whole. For Bury, the body designated to receive the accounts is the Audit Committee.
- 1.8 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.
- 1.9 The external audit of the accounts is scheduled to start in early/mid-August. The exact date of the finalisation of the external audit work is not yet known and may require an additional Committee in order that these can be considered and approved.

## **2.0 ISSUES**

- 2.1 Bury will comply with the statutory requirements and make the Statement of Accounts available for public inspection within the revised timescales set in light of COVID-19. The outcome of the audit of the accounts will be reported to the Audit Committee. As the schedule of meetings for the year was set before the pandemic and the change in deadlines announced, there may be a need for an additional Audit Committee to be scheduled.
- 2.2 A number of concerns were raised by the external auditors and reported to the Audit Committee following the completion of the 2018/19 external audit. In response to this, the accounts closure process for 2019/20 has been revised by the council, standardised working practices have been adopted and there has been a significant focus on PPE which was identified as a key concern in the last financial year. In addition to this, the reporting format and layout of the accounts has been significantly overhauled and brought into line with best practice.

## **3.0 CONCLUSION**

- 3.1 The Council's Statement of accounts will be published within the statutory deadlines and further reports will be presented to the Committee once the outcome of the external audit is known.

---

### **List of Background Papers:-**

### **Contact Details:-**

Lisa Kitto – Interim Deputy Chief Finance Officer

**REPORT FOR DECISION**

<b>DECISION OF:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>30 July 2020</b>
<b>SUBJECT:</b>	<b>Draft Annual Governance Statement</b>
<b>REPORT FROM:</b>	<b>Mike Woodhead</b>
<b>CONTACT OFFICER:</b>	<b>Lisa Kitto</b>
<b>TYPE OF DECISION:</b>	<b>NON KEY DECISION</b>
<b>FREEDOM OF INFORMATION/STATUS:</b>	This paper is within the public domain
<b>SUMMARY:</b>	<p>The Council as part of its Statement of Annual Accounts produces an Annual Governance Statement (AGS). The draft Annual Governance Statement has been completed and sets out key information in the Council's assessment of its internal governance arrangements. The AGS also sets out key areas of governance concerns and actions that will be undertaken to address these.</p> <p>The draft AGS is presented for an initial review by the Audit Committee and a final document will be presented to Committee in September for recommendation for approval at Full Council later in the year.</p>
<b>OPTIONS &amp; RECOMMENDED OPTION</b>	<p>The Audit Committee is asked to</p> <ul style="list-style-type: none"> <li>• Note the draft AGS and provide initial comments</li> <li>• Note that the AGS will be available on the Council's website from the end of July and available for public inspection;</li> <li>• Note that a final AGS will be presented to Committee in September for approval and for recommendation to Full Council.</li> </ul>

<b>IMPLICATIONS:</b>	
<b>Corporate Aims/Policy Framework:</b>	Do the proposals accord with the Policy Framework?      Yes      No
<b>Statement by the S151 Officer: Financial Implications and Risk Considerations:</b>	The AGS is s statutory requirement and provides an assessment of the effectiveness of the council's internal control framework. The AGS supports the governance responsibilities that are part of the role of the S151 officer.
<b>Equality/Diversity implications:</b>	No direct implications
<b>Considered by Monitoring Officer:</b>	Yes      Comments
<b>Wards Affected:</b>	All
<b>Scrutiny Interest:</b>	None

**TRACKING/PROCESS****DIRECTOR:**

Joint Executive Team/CCMT	Cabinet Member/Chair Briefed	Ward Members (if necessary)	Partners
Scrutiny Committee	Other Committee	Council	Comms

## **1.0 BACKGROUND**

- 1.1 The Accounts and Audit Regulations 2015 require the Authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and to prepare and Annual Governance Statement (AGS). As a consequence of the COVID-19 pandemic, and April 2020 amendment to the Accounts and Audit Regulations has altered the statutory timetable to the production and publication of the AGS alongside the Financial Statements.
- 1.2 The AGS is produced in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016). The AGS should be an open and honest self-assessment of the organisation's performance across all of its activities and against these principles.
- 1.3 In producing the AGS, we have also followed CIPFA guidance issued in April 2020 to include relevant areas of governance impact arising from the COVID19 pandemic. These are captured throughout the document.
- 1.4 A new style document has also been produced by the Council as part of a commitment to refresh existing practices and processes.

## **2.0 ISSUES**

- 2.1 Some areas of weakness have been identified and the Council 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 AGS.

## **3.0 CONCLUSION**

- 3.1 The Council has produced a draft AGS in line with statutory requirements and is presented to the Audit Committee for initial consideration and for the draft to be shared for audit and inspection purposes at the end of July, with opportunities to update the draft. The final AGS will be presented to the Audit Committee in September for approval by Full Council later in the year once the external audit of the statutory accounts is completed.

---

### **List of Background Papers:-**

### **Contact Details:-**

Lisa Kitto – Interim Deputy Chief Finance Officer

## Annual Governance Statement 2019/20

### Scope of Responsibility

Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is properly accounted for, and provides value for money. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging the overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

Bury Council acknowledges its responsibility for ensuring there is a sound system of governance. The Council has adopted a Code of Corporate Governance, which is consistent with the seven principles of the CIPFA / SOLACE Framework "Delivering Good Governance in Local Government".

This statement reports on the Council's governance framework that has been in place during 2019/20 and explains how it has complied with its own code of corporate governance, including how the effectiveness of arrangements has been monitored. This meets the requirements of regulation 6 (1) of the Accounts and Audit (England and Wales) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

In addition to this, the annual governance statement sets out how the Council has complied with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations (England and Wales) 2015. The Coronavirus amendment revised the deadlines applicable for Local Authorities as follows:

- Approval of draft accounts 31 August (previously 31 May)
- Public inspection Period to start on or before first working day of September 2020 (previously included first 10 working days of June)
- Publish Final Audited Accounts 30 November (previously 31 July)

A copy of the Code of Corporate Governance, which will be refreshed as part of a programme of work to update the financial framework, is on the website at:

<https://www.bury.gov.uk/CHttpHandler.ashx?id=16454&p=0>

The Council's financial management arrangements are consistent with a number of the governance requirements of the CIPFA statement on the role of the Chief Finance Officer in Local Government (2016). The Statement requires that the Chief Finance Officer should report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to others. The Joint Chief Finance Officer (and designated Section 151 Officer) is a member of, and attends, the meetings of the Joint Executive Team which integrates the Executive Teams for the Council and the Clinical Commissioning Group. All statutory officers have access to the Chief Executive. The Council considers that its

management arrangements are appropriate in the context of compliance with the CIPFA Statement.

### The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor its achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The governance framework is designed to manage risk to a reasonable level. The associated processes cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### The Council's governance framework

Governance generally refers to the arrangements put in place to ensure that intended outcomes are defined and achieved. As set out in its Code of Corporate Governance, the Council aims to achieve good standards of governance by:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining the Council's outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the Council's intended outcomes.
- Developing the Council's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The key policies, procedures and arrangements that support compliance with these principles are set out in the Code. As part of the compilation of this Annual Governance Statement it has been confirmed that the documents and arrangements referenced remain current. It is however recognised that a refresh of the documents and the Constitution would be beneficial going forward. Key elements of the governance framework are as follows:

### Organisational Priorities

The Council has undergone significant organisational change during the year as it brings together two separate organisations to deliver joined up and integrated delivery models that support joint commissioning and outcomes. Priorities for the Council have focused around agreed priority themes of inclusive growth, budget and reform as well as existing priorities from the Corporate Plan 2015- 2020.

Progress achieved during the year is set out in the following table:

<p>Drive forward, through effective marketing and information, proactive engagement with the people of Bury to take ownership of their own health and wellbeing.</p>	<ul style="list-style-type: none"> <li>• Refresh of Locality Plan was carried out in November 2019 re health and social care integration and wider population health</li> <li>• Local Commissioning Organisation delivered target interventions to those with most acute needs through an integrated model. Services were tailored to meet the needs of different areas of Bury which have different levels and types of demands, as well as encouraging people to have healthy lifestyles.</li> <li>• Last September Bury Council was shortlisted for a national award for its exceptional support of Community Sponsorship, a government-backed scheme enabling ordinary people to support refugees to integrate into their communities.</li> <li>• Formal establishment of the One Commissioning Organisation, a key milestone in bringing together the world of health and social care locally, a cornerstone of Greater Manchester's devolution.</li> <li>• In March 2020, to support the integration agenda, the Council and CCG approved the creation of a £490m Integrated Care Fund (ICF), including £312m pooled in a formal Section 75 agreement. The pooled fund encompasses most CCG expenditure, including community services, mental health and learning disability services, acute non-surgical services, continuing healthcare and intermediate care and primary care services (prescribing and local enhanced services); alongside Transformation and Better Care funded services, adult social care, care in the community budgets, public health, health and care related children's services, and commissioning staff budgets. The wider ICF includes all CCG spend and council revenue budgets (excluding HRA and DSG).</li> <li>• A new refuge for victims of domestic violence and abuse was opened in partnership with Irwell Valley Homes and Fortalice.</li> <li>• Biggest ever Bury 10k last September and refresh of Physical Activity Strategy : A steering group has been set up and a refreshed Physical Activity Strategy has been commissioned to support the GM Moving vision and MOU</li> <li>• Launch of Care Leaver Offer website is a dedicated space which clearly sets out the support that care leavers can expect from the council and its partners as they make their individual journeys to independence and adult life. The website is hosted by The Bury Directory and offers a whole range of information, support, advice,</li> </ul>
--	--

	contacts and events on a wide range of topics including finance, education, health and wellbeing, participation and support.
Continue to develop business friendly policies to attract inward investment and new jobs so that Bury retains its position as a premier destination for retail, leisure, tourism and culture.	<ul style="list-style-type: none"> <li>• The Council is leading the developing of a ten year vision and delivery plan for the Borough, Bury 2030. The strategy is being co-designed across the team Bury network, including the business community, based around the principles of the Local Industrial Strategy i.e. people, place, ideas, infrastructure and business environment. Work to develop the strategy to date has included independent facilitation from the Centre of Local Economic Strategies and input from Cambridge Econometrics on economic resilience with respect to Brexit</li> <li>• Bury was announced as the inaugural Greater Manchester Town of Culture with a launch event taking place at a packed Met theatre in January. Greater Manchester Mayor, Andy Burnham said: “Whether you’re visiting the Fusilier Museum, watching a performance at The Met or listening to Elbow, Bury is already an important player on the Greater Manchester cultural scene – long may that continue now the town is officially our city-region’s Town of Culture.”</li> <li>• Bury was first in GM and now retained for five successive year. Purple Flag is a town and city centre award.</li> <li>• A record number of coaches have visited the famous Bury Market bringing shoppers keen to visit the award-winning attraction. In 2019 the market welcomed more than 1,800 coaches, with coach visits in November setting a new monthly record of 296.</li> <li>• A draft Strategic Regeneration Framework has been produced for Radcliffe and is currently out for consultation. This includes a vision for the development and economic growth of the town and how the Council can help support this.</li> <li>• A review of the future of Bury Market has also been carried out and the findings of this have recently been considered by Cabinet and also Overview and Scrutiny Committee. Next steps have been agreed.</li> </ul>
Ensure new and affordable housing is developed to support growth in the Bury and Greater Manchester economy	<ul style="list-style-type: none"> <li>• The ‘A Bed Every Night’ initiative, which provides temporary accommodation and outplacement support for rough sleepers, is resourced to continue until April 2021. In addition as part of emergency recovery Bury has made “an end to rough sleeping” one of the ten short term priorities, to provide permanent alternatives for rough sleepers to prevent them feeling they must return to the streets</li> <li>• Work is underway to refresh the Borough’s housing strategy, as part of the Bury 2030 framework and to be coherent with the GM Housing Strategy and have a particular focus on affordable provision</li> </ul>
Build on the culture of efficiency and	<ul style="list-style-type: none"> <li>• The Council leads the team Bury network of all public service and community sector partners across the</li> </ul>

<p>effectiveness through new, progressive and integrated partnership working models to drive forward the Council's and Greater Manchester Public Service growth and reform agenda.</p>	<p>borough. The network is a forum for public service co-design and response, for example the oversight of a partnership response to flooding caused by Storms Ciara and Dennis February 2020 and GM Hate Crime Awareness week (in which 25 different events took place throughout the Borough, from special assemblies in our schools to a multi-faith Shabbat meal)</p> <ul style="list-style-type: none"> <li>• The Council has embedded integrated partnership working within its structure this year, through a major restructure to establish four 4 departments plus a One Commissioning Organisation (OCO), within which all council care commissioning functions are integrated with the Clinical Commissioning Group. A new Joint Chief Finance Officer post which works across the OCO was appointed amongst a series of joint posts.</li> <li>• The Council is, through the Team Bury network, leading on the developing of a new ten year vision and delivery plan for the Borough: Bury 2030. A system-wide planning event was held in January 2020 which received very positive feedback. Public Service reform principles will be at the heart of the new approach, by putting a multi-agency "neighbourhood" approach at the heart of a new operating model. The Greater Manchester PSR Team are supporting the approach, which aims to draw on best practice from across other districts and apply this to the specify objectives and opportunities of the Bury system.</li> <li>• The successful establishment of five Community hubs as a key part of the Covid response have demonstrated the validity of the neighbourhood model, including targeted early help support. The Council led the implementation of five hubs, through 150 staff redeployed; 800 volunteers via VCFA; and data-led targeting of early help assistance</li> <li>• The Local Care Organisation, which went live in April 2019, operates a multi-disciplinary approach to Active case management of the most complex cases. At this stage the approach focusses on those with long term health conditions and the frail elderly, but the approach is being extended across other cohorts for all-age early help, including homeless people. The plan provides for the ultimate establishment of a system-wide data warehouse which will inform targeting and the evaluation of interventions.</li> <li>• A new management agreement with Six town Housing was agreed in the year and key performance indicators are being developed which will enhance overall accountability and provide an opportunity for greater scrutiny.</li> </ul>
<p>Ensure staff have the right skills to embrace significant organisational change, through embedding a culture of ownership,</p>	<ul style="list-style-type: none"> <li>• First ever Bury Council &amp; Bury CCG Leadership Summit - 26 September 2019 – covering visioning and golden rules of democratic process; HR; finance and information governance.</li> </ul>

<p>empowerment and decision making at all levels of the organisation.</p>	<ul style="list-style-type: none"> <li>• Ethnographic training provided on asset based practices as part of People Powered Bury and integrated health and care in Bury through the LCO.</li> <li>• The local authority has become the first council in Greater Manchester to win Disability Confident Leader accreditation.</li> <li>• Education Improvement programme resulted in great improvement - careful monitoring of the performance and attainment of schools in the locality, given the importance a good education has to the life chances of local residents. In the last nine months of the financial year all school inspections via Ofsted had delivered improved outcomes. Whilst we are clear there remains a lot of work to be done it is important to recognise that we are heading in the right direction with signs that we are getting to groups with this crucial matter.</li> </ul>
<p>Work toward reducing reliance on government funding by developing new models of delivery that are affordable, add value and based on need.</p>	<ul style="list-style-type: none"> <li>• The new neighbourhood model, at the heart of Bury 2030, is being developed to enable targeted delivery based on greatest need and scope to intervene early in complex cases in order that ultimate demand is reduced</li> <li>• In support of new public policy development the Council is leading the development of more efficiency digital delivery solutions, for example a bespoke app which was developed locally to capture community requirements during the emergency and allocate and track delivery. The App was ultimately adopted and rolled out across Greater Manchester.</li> </ul> <p>This year Bury also became first area in the UK to pilot new digital technology that will help to give our children the best start in life through the Early Years App to complete forms online instead of having to fill in cumbersome paper forms.</p> <ul style="list-style-type: none"> <li>• Over the past 12 months significant improvements in Council ICT has enabled more agile working whilst reducing risks associated with licencing/software being out of scope of updates. A complete refresh of hardware has been completed; the Council has signed an Enterprise Agreement with Microsoft as the beginnings of cloud migration and work on a multi-year ICT strategy has begun. The number of users working remotely has shifted from c100 to over 1000 each day and all licensing agreements are secure.</li> </ul>
<p>Internal Transformation</p>	<ul style="list-style-type: none"> <li>• The Council has recognised the need to transform the organisation. In recognition of this, a transformation fund has been created and the focus will be on the Target Operating Model for the future, accountabilities and responsibilities and working in a more digital way. The need for this has been highlighted with the COVID-19 crisis and has seen significant numbers of staff working</li> </ul>

	<p>from home. Reliance on ICT and also digital systems for our customers has increased significantly.</p> <ul style="list-style-type: none"> <li>• A detailed transformation plan with agreed outcomes and deliverables is being developed and will start to be implemented in 2020/21.</li> </ul>
--	--

## COVID-19

Towards the end of 2019/20 and leading into 2020/21, the Council had to respond quickly to the COVID-19 crisis and the impact it was having on residents and businesses within the borough and across Greater Manchester. As both a commissioner and deliverer of services to residents, the Council activated and implemented its business continuity arrangements/ Due to the scale and nature of the crisis, delivery models were transformed and given a more community led approach, essential services were protected and non-essential services ceased and staff reallocated to priority services. To maintain effective governance arrangements, emergency decision making powers were enacted.

## Key Elements of the Governance Framework

The key elements of the Council's governance framework are detailed against each principle in the CIPFA/SOLACE framework – Delivering Good Governance in Local Government as follows:

### **Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law**

In order to ensure both its Members and Officers behave with integrity to lead its culture of acting in the public interest, there is appropriate training provided to safeguard all parties against conflicts of interest. Both Members and Officers record any gifts and hospitality received in accordance with the Authority's agreed procedure. In order to enable third party challenge to Authority operations there is a publicised complaints procedure. There is also a Whistleblowing Policy which enables concerns to be raised in a confidential manner and dealt with in a proportionate manner. The Scrutiny process as detailed in the Constitution enables those who are not Cabinet Members to call in key decisions.

The Council is managed by a Cabinet system as set out in the agreed Council Constitution. This sets out the scheme of delegation between elected Members and Officers. Emergency decision making powers were introduced in response to the COVID-19 crisis.

Members take the lead in establishing this culture by completing an annual register of their interests which is published on the Council's website. The Standards Committee consider allegations of inappropriate behaviour.

Staff behaviour is covered by the Officers' Code of Conduct, which places duties on Officers to declare their standing interests or interests relating to matters as they arise to their Head of Service.

The Council has a clear set of values and behaviours which are shared and understood and these link to the council's staff performance scheme against which outcomes are agreed and this provides a framework for driving forward and improving services. These are:

- Communication
- People Management
- Customer Service

- Commercial Thinking and Analysis
- Teamwork
- Place Based Leadership
- Efficiency
- Wellbeing at Work

The agreed Procurement Policy focuses on procurement activity, which has the aim of ensuring the optimum balance between cost, quality and local service value, whilst also ensuring that any significant commercial risks are identified and mitigated at the commissioning stage.

The Contract Procedure Rules within the Constitution set out the Authority requirements on social value and how this is reflected in procurement activity. Social value is becoming increasingly important, particularly with the COVID-19 pandemic and a further review of procurement arrangements is planned. A review of procurement practices is currently underway to further strengthen the support and advice provided to services.

Bury Council declared a climate Emergency - Proposals to make the declaration were waved through together with an “aspiration” for Bury to be carbon neutral by 2030, following a commitment earlier in the year to become single-use plastic free by 2022

### **Principle B – Ensuring openness and comprehensive stakeholder engagement**

The Council is working to the last year of the 2015 – 2020 corporate plan, with reference to the priority themes of inclusive growth, budget and reform as well as existing priorities from the original plan. The Authority recognises the need for a comprehensive refresh of the planning framework and as such is leading the development of a Bury 2030 strategy, which will be subject to comprehensive stakeholder consultation in autumn 2020 following which a new corporate plan will be developed

The Bury Business Leaders group meets on a regular basis to influence and shape the economic strategy and business engagement within the Borough. The network has met weekly during the COVID-19 crisis and has been invaluable in supporting the work to target and despatch business grants and local economic support. To further extend business engagement a series of new Town Centre Recovery Boards have also been established, to input to the recovery strategy and direct local economic support and interventions.

In addition to the above, the Council is a constituent District of the Greater Manchester Combined Authority (GMCA) which exercises a number of new powers devolved from Central Government. The GMCA meetings are also held in the public domain and streamed live. The Leader of the Council is a constituent member of the GMCA.

Cabinet and the Overview and Scrutiny committees are provided with regular updates on progress against the Council's priorities. A thematic approach is adopted with progress reported on themed activities and those with a particular focus. The Overview and Scrutiny Committees receive reports on specific matters and policy initiatives to be considered by future Cabinets. Scrutiny of the use of resources and risk management is provided by the Audit Committee. The Council currently has 2 Overview and Scrutiny Committees – Health Scrutiny Committee and the Overview and Scrutiny Committee. In addition to this, there is a Joint Health Scrutiny Committee for Pennine Acute NHS Trust.

In order to demonstrate its openness, the Authority also publishes its:

- Pay Policy Statement to support the Annual Budget;
- Constitution;
- Council, Cabinet and Committee Reports;

- Information on payments over £500

There is regular contact with the other nine constituent Districts through the meetings of the GMCA. Lead Members and Officers feedback issues to the constituent Districts on pertinent matters. Separately the Statutory Regulatory Officers for Finance and Legal Services of each of the districts meet regularly to consider matters of common interest and agree a common approach on shared issues including companies where the Authorities are key shareholders.

In order to ensure its message is effectively communicated to its citizens the Council's Communications function proactively prepare appropriate press releases to support activities undertaken by the Council and keep residents informed. The Council's website has been updated throughout the year and was further updated as the COVID-19 crisis impacted.

### **Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

The Corporate Plan supported by individual Service Business Plans and the work of the GMCA set out the immediate and long-term vision of the Council. The 2019/20 budget delivered within the agreed resource allocation supported this strategy.

Full Council agreed the budget for 2019/20 on 20 February 2019. This included all budgets – Revenue, Capital, Dedicated Schools Grant and the Housing Revenue Account. Due to increasing cost pressures on Adult Social Care, the Council Tax recommendation resulted in a specific 2% increase to be implemented to finance expenditure in this area and a 1.99% Council Tax increase for other services.

2019/20 was the last year of the budget cycle and a new 5 year medium term financial strategy has been developed from 2020/21 onwards. In developing and balancing the budget, the Council identified options for efficiencies and also agreed for the use of one of reserves in order to achieve a balanced position. The Council also agreed investment through the capital programme and capital strategy.

The Council aligned a significant part of its budget into the pooled fund with the CCG. In recognition of the fact that additional funding could be accessed for the whole care system in Bury, the Council made an additional contribution of £10.5m to the pooled fund. This will be fully compensated for in 2020/21 when a lower contribution of the same value will be made. The pooling arrangement has provided a significant opportunity to align commissioning outcomes and intentions of the both the Council and the CCG and to utilise funding to provide and integrated and co-ordinated approach to commissioning and delivery of services.

### **Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes**

The organisational structure has been updated this year including a new leadership team structure, which is integrated with the CCG. All key statutory posts were filled and continuity of service and leadership for all services was maintained.

The Constitution defines and documents the roles and responsibilities of Officers and Members and delegation arrangements, protocols for decision making and codes of conduct for Members and staff. This is in recognition of the fact that whilst the Constitution has been updated to reflect changes that have occurred on an ongoing basis, a full review to ensure it remains a good practice document has not been carried out. Therefore a full refresh of the

Constitution is planned for 2020/21 to update and, where possible, streamline the Constitution.

All meetings of the Cabinet and key Committees are publicised and are open to public scrutiny which has been enhanced by the virtual meetings now taking place. All decisions are formally recorded. In addition, decisions taken under delegated powers are also recorded electronically and are reported via the Council's Electronic Decision Recording System.

The Standards Committee reviews Members' conduct following the receipt of complaints about official conduct on Council business by commissioning independent investigations. Where appropriate matters are reported and considered by full Council.

Cabinet portfolios are assigned on a functional basis rather than by directorate and subject to appropriate officer support. Officers meet with portfolio holders on a regular basis to discuss new and emerging issues. Officers also meet with opposition leaders and both main opposition parties submitted alternative budget proposals for the 2020/21 budget. Opposition leaders were supported by officers in developing their options and confidentiality was maintained throughout the process.

The Joint Chief Finance officer for the Council and Bury NHS CCG is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Joint Chief Finance Officer was appointed on 1 June 2019 and replaced the former Executive Director of Resources and Regulation as the Council's S151 Officer.

The Head of Legal Services was the Council's Monitoring Officer during 2019/20 and was responsible for ensuring the Authority acts in accordance with the Constitution. Senior Officers have the primary responsibility for ensuring decisions are properly made within a scheme of delegation at appropriate levels of responsibility.

The medium term financial strategy that has been developed from 2020/21 onwards reflects the long-term view of the resources available to the Authority in the context of the best estimate of Government grants supported by the revenue it can generate itself.

Funding however remains a considerable risk for the future with no confirmed funding for future years. The Council has worked with the resources available and has adopted a set of planning assumptions to inform resource forecasting for future years. There however remains great uncertainty and the planned 3 year CSR that was expected in early 2020/21 has been pushed back to the Autumn. This means that the Council is likely to be planning for the longer term but with short term funding announcements. Scenario planning and updates to the medium term financial strategy will be presented at key points throughout the year to ensure the Council has a robust plan for delivering a budget for future years and is aware of the risks and uncertainties that exist.

For 2019/20 all Directors prepared a service plan and this was presented to Full Council with the budget for the year. The plans set out the position of each Directorate and the key activities to be undertaken during the year, key outcomes to be achieved and the budgets were aligned to support these in being delivered. The plans were agreed by Full Council in February 2019.

#### **Principle E – Developing the entity's capacity including the capability of its leadership and the individuals with in it**

The Council does not operate a corporate leadership development model. Following the organisational restructure, a process of leadership development has begun, however. Initial external facilitation of the top team is underway to establish a new leadership proposition

which will be cascaded, through equivalent engagement of other colleagues. Staff training plans at all levels will be developed and linked to performance and development plans, as part of the implementation of the new Corporate Plan when agreed.

The Council has many policies and procedures relating to HR and these are available on the Council's intranet site and are easily accessible. Services are also supported by independent HR advisers. It is intended that the policy framework will be reviewed during the next financial year, to ensure it reflects best practice and an efficient way of working across the Council.

Services are required to have regular team meetings, and one to ones with line managers and these are in addition to the annual performance setting discussions that inform key priorities and outcomes for the year.

The Council has active engagement with the Trade Unions and there are regularly convened Corporate and departmental Joint Consultative Committees to discuss restructures and specific service matters. The Trade Unions also play an active role in consultations with staff and feedback comments to the Council.

To keep staff aware of changes as a result of COVID19, including the requirement for all remote workers to remain "planned, Present and Productive", a bespoke workforce guidance document was produced and regular updates to staff were issued by the corporate communications team. This provides essential advice and support for people working at home including practical advice, risk assessment frameworks, as well as specialist advice through an Employee Assistance Programme. The welfare and wellbeing of staff has been recognised as a key priority for the Council particularly through COVID.

#### **Principle F – Managing risks and performance through robust internal control and strong public management**

Risk management arrangements are in place and risk registers are available at a Corporate and Directorate level. During the course of the year, work has been undertaken to consolidate risks across the whole of the organisation between the Council and the CCG to ensure that consistency of approach and model. There is however a need to embed risk management in services and to ensure that risk is considered at all times. Further work is planned and will focus on a new risk framework to be introduced in 2020/21. This is part of a wider improvement plan to enhance and support risk management.

The risk register is presented to, and discussed by, the Executive Team throughout the year. The Council has a risk manager who has been further supported by a lead officer within the CCG with responsibility for governance and risk management.

In addition to this, internal audit report findings on audit reports to the Audit Committee throughout the year. Other senior officers throughout the organisation report to both the Council's Cabinet and the Strategic Commissioning Board as well as various Overview and Scrutiny Boards.

Reports to Committees also include a section that sets out the risks to any proposals and recommendations. Equality Impact Assessments are undertaken, particularly when options for meeting the budget gap are considered by Cabinet and Council. An independent Equalities Review has recently been commissioned to verify the quality and compliance of this work, to ensure the Council is assured of fulfilling the Public Sector Equality Duty standards.

All reports presented to Cabinet are signed off by both the Monitoring Officer and the S151 officer (or nominated individual) to ensure appropriate financial and legal oversight is provided on all recommendations. Legal and financial implications are set out in all reports to ensure that the implications of recommendations are fully understood prior to a decision being made.

Each year in the electoral cycle, new Members of the Council are inducted prior to the Authority's Annual General Meeting (AGM). This is of vital importance, given the technical complexity of the Council's core operations, the decision making structure and the financial value of the transactions controlled by the Authority.

Quarterly financial reports submitted to Cabinet detailing estimated out-turn against the approved budget. The 2019/20 the month 9 budget monitoring report highlighted that the Council was underspent and that this was likely to increase. The anticipated change in the Council's MRP policy that would increase the underspend in 2019/20 above and beyond that reported at month 9 was approved by Full Council in February 2020 after being considered and recommended for approval by Cabinet and also by the Overview and Scrutiny Committee.

#### **Principle G – Implementing good practice in transparency, reporting and audit to deliver effective accountability**

The Council has a key role in the Greater Manchester Strategy including that under devolution by:

- taking part in the monthly meetings of the Combined Authority with the Leader representing the Council;
- agreeing to both innovation and risk by piloting new initiatives at a regional level such as 100% business rates retention;
- locality working with health at both a Greater Manchester wide level and Bury area.

In addition to this, the Council is a member of the Greater Manchester Health and Care Partnership Board and Joint Commissioning Board. As part of the Transparency Agenda the Authority publishes Senior Officer Salaries over £50,000 and payments over £500 on its web site.

The Authority, as part of the 2011 Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement for 2019/20.

The Council is in regular liaison with key Government bodies and is also fully engaged with the Local Government Association (LGA), Greater Manchester Association of Municipal Treasurers and specialist region wide initiatives such as the greater Manchester Growth Hub.

The Audit Committee has had specific training on fraud as this was identified as any area of interest. The Committee has seen a number of new members and a refresh of the training plan will be undertaken and implemented during 2020/21 to ensure members of the Committee understand their role and are able to discharge their statutory duties effectively.

The Group Companies of Six town Housing and Persona have produced accounts for the period ended 31 March 2020.

All External audit work is conducted with regard to the Code of Practice produced by the National Audit Office.

### Partnership Arrangements

The Council currently delivers a range of services, which often involve working in partnership with others. The Council established a pooled budget arrangements with Bury NHS CCG that commenced during 2019/20. In addition to this the Council has group relationships with:

#### ***Bury MBC Townside Fields Limited***

This is a wholly owned subsidiary and was set up to develop Townside Fields including: Q Park, 3KP, Townside Fields, Premiere Inn and the NHS Building.

#### ***Townside Fields Management Company***

This is a company in which Bury MBC owns a third of the shareholding.

#### ***Six Town Housing***

An Arm's Length Management Organisation to provide housing provision across the borough. The Council signed a ten year management agreement with Six Town Housing this year; a set of Key Performance Indicators to performance manage the partnership will be agreed by August 2020.

#### ***Persona***

A Local Authority Trading Company established to provide a number of adult social care services

It is a requirement of the Code of Practice on Local Authority Accounting that 'Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control should include its group activities'.

Arrangements are in place for the Council and the group companies to work together in setting priorities and overseeing and reporting on performance. The internal audit service also carry out audits of these organisations as part of the requirement to fulfil statutory S151 duties.

There is an opportunity to raise any concerns during the year through Executive meetings between the Chief Executives of the Council and the ALMO (Six town Housing) and through the CCG Audit Committee of which the Joint Chief Finance Officer is a member. This has been taken into account and incorporated in the Statement of Accounts and the 'issues for consideration' in the Annual Governance Statement.

### Review of Effectiveness

The Authority annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment; and comments made by the External Auditors and other review agencies and inspectorates.

#### ***Internal Audit***

An internal audit programme is undertaken, which in 2019/20 has focused on key items in the Audit Plan such as financial systems, systems assurance, grant audit and providing data for the National Fraud Initiative. Where specific matters were brought to the attention of Internal Audit these have been investigated in accordance with the Policies of the Council.

At the end of 2019/20 the Council commissioned a high level review of internal audit to look at its effectiveness and to assess the audit approach. A high level report was produced and

some key recommendations were made. Work has already been undertaken to address and work towards meeting some of the recommendations and an improvement plan has been developed. The report, recommendations and improvement plan will be discussed with the Audit Committee in July and updates on progress will be reported on a quarterly basis.

The 2019/20 annual internal report was presented to the Audit Committee in June 2020 and whilst, the audit opinion was satisfactory, the report did highlight that 40% of audits completed during the year had failed to reach an adequate level of assurance. Follow up audits had been undertaken and the majority of recommendations had been actioned. Additionally the audits were of lower level service risks. Nevertheless the findings need to be taken into account and there is a need to ensure that controls and governance frameworks are properly embedded in all services.

### ***Financial Position and Outlook***

In restructuring the organisation, the Council's budget has been considered. Financial resilience is critical, particularly when facing the COVID-19 pandemic and the opportunity to consolidate all resources has been taken with the creation of a new reserves policy that will be considered by Cabinet in 2020/21. During the year, the opportunity to release further funding across the whole of the integrated care systems was identified and to enable this to happen, a higher than planned contribution to the pooled fund of £10.5m was made. This will be offset in 2020/21 by an equivalent reduction in the contribution. The opportunity to be flexible with contributions to the pooled fund has enabled the Council and the CCG access more than £4m in funding that is available to the residents of Bury had the arrangement not been in place.

The delivery of savings has been challenging in 2019/20 due to a number of these being deemed historic and no longer achievable. As a result of this, c50% of the savings were not delivered in 2019/20 and had to be offset by underspends on budgets held corporately. This approach does not instil financial discipline in an organisation and has been addressed in the 2020/21 budget. To strengthen financial governance, work to ensure budgets are realistic, remain challenging but deliverable was a key focus of the 2020/21 budget setting process. External advisers were used to sense check all savings plans and involved significant engagement with Directors. Additionally demand and other factors that impact on the budgets including pay awards, the living wage and contractual inflation were factored in.

Balance sheet management was an area of focus, in particular provisions and reserves and how these are allocated to reflect corporate risks. Independent advisers were commissioned by the Council to review the insurance provision on the Council's balance sheet. The findings of the review have provided an opportunity for the Council to target its resources to risks and in doing so provide as much resilience as possible, particularly in light of the uncertainty regarding COVID-19 and the impact on local authority funding.

### ***Final Accounts***

The final accounts, of which this Statement is an integral part, outline the out-turn of the Authority and are prepared in accordance with professional standards and are subject to external audit review. The external auditors raised a number of concerns when carrying out the external audit for the 2018/19 financial year in particular relating to Property, Plant and Equipment and the overall valuation process. In addition to this, concerns were raised about the overall quality of some of the working papers and notes to the accounts.

To address this, staffing resources have been targeted to the Statement of Accounts and have produced an updated set of accounts in a new format, revamped and updated notes to the accounts and a standardised approach to working papers. A dedicated group of finance

staff have been brought together to produce the accounts and, in doing so, have addressed some longer term issues around capital accounting.

A procurement process was also undertaken to appoint some external valuers to support the in house team and ensure that valuations were carried out in accordance with the agreed requirements. A considerable amount of effort has been put into updating records in the Council's property system and reconciling to the financial system. Specialist system advisers have been used to update and advise on current accounting processes and practices. A planned knowledge transfer from the advisers to staff within finance has happened and is critical for the future.

### **Governance**

Other concerns have been raised over the year including those on the governance of the Radcliffe Regeneration Scheme and also audits on Homes England grant claims. Report on the Radcliffe Regeneration identified weaknesses in processes.

In light of these issues, a full governance review has been commissioned to further support the work that is already happening across the Council. A specialist legal adviser has been appointed for a period of 6 months and will progress work around the Constitution and a terms of reference has already been presented to and discussed with members and an officer/member working group established.

Further external support has also been commissioned to undertake a 3 phased review over the course over 2020/21 that includes a 'root and branch' review of governance throughout the Council with specific focus on procurement, internal audit and risk management. The findings of each phase will be reported to the Audit Committee throughout the year.

**To the best of our knowledge, the governance arrangements, as outlined above remain fit for purpose and have been effectively operating during the year in accordance with the governance framework. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.**

**Signed on behalf of Bury Council:**

**Leader of the Council**  
**Date**

**Chief Executive**  
**Date**

## Significant Governance Issues

Issues	Action Plan for 2020/21	Lead Officer
<p><b>Constitution</b></p> <p>The Constitution has not been refreshed for some time although has been subject to incremental updates. A full refresh will provide clarity on procedures, decisions and delegations.</p> <p>Officers are not always aware of the correct processes and procedures and there is a risk that decisions could be made outside of the Constitution.</p>	<p>The Council has appointed a specialist legal adviser to support the council in developing a new constitution. An officer/member group has been established, terms of reference agreed and a timescale for delivery.</p> <p>As at the process, a governance survey will be issued and the feedback used to inform the outcome of the review. A new constitution and associated schemes of delegation will be fully signed off for implementation in 2021/22.</p>	<p><b>Marie Rosenthal</b></p>
<p><b>Financial Strategy</b></p> <p>The 2020/21 budget includes efficiency savings of c£4.2m. Whilst the deliverability of these have been externally tested there is a risk that they will not be delivered. There was also an ongoing requirement (when the budget was set in February 202) to identify c£22m in savings over the next 4 years.</p>	<p>The Medium Term Financial Strategy (MTFS) will be updated and refreshed throughout the year to take account of changes in funding and cost/income pressures.</p> <p>Regular monthly monitoring to be provided to Exec Team and quarterly</p>	<p><b>Lisa Kitto</b></p>

<p>The emergence of COVID-19 has placed even greater financial pressure on local authorities and the real funding gap going forward will be much greater. The volatility and significant financial, fiscal and economic risk makes forecasting and planning difficult.</p> <p>The lack of funding announcements for future years and the delay in the CSR provides an additional layer of risk and longer term planning more uncertain.</p> <p>Financial resilience and sustainability is a significant risk for the future.</p>	<p>monitoring to Cabinet. Report on slippage on savings will be reported.</p> <p>Principles for managing the in year impact of COVID and also for the future MTFS to be agreed and implemented.</p> <p>Framework for developing the budget for 2021/22 to be agreed and actioned over Summer for consideration by cabinet in September.</p> <p>Reserves strategy to be developed and implemented in 2020/21 to consolidate and bring greater financial control over the use of reserves.</p>	
<p><b>Homes England Grant Claims</b></p> <p>Homes England audit reviews identified key weaknesses in the grant claims and gave the council the lowest possible rating. This is the second year this has happened. The reputational risk to the Council and the potential to not be considered for future grant funding rounds is a risk.</p>	<p>Full audit review of Homes England grant claims to be undertaken. Discussions have already highlighted opportunities to improve processes. Higher level signoff of all grant claims to be introduced.</p>	<p>Lynne Ridsdale/Lisa Kitto</p>
<p><b>Risk Management Framework</b></p> <p>The risk management approach across the council is inconsistent and the approach to risk assessment and scoring does not align to</p>	<p>Governance Review has been commissioned and will be delivered in 3 phases over the year with findings reported to the audit committee. A key area of focus is on the risk management</p>	<p>Lynne Ridsdale/Lisa Kitto</p>

best practice. The potential of not identifying all major risks is possible.	framework and a 'best practice' approach will be implemented. First report to be presented to audit committee in July 2020.	
<p><b>Audit Assurances</b></p> <p>c40% of audit carried out in 2019/20 were assessed as below adequate/unsatisfactory. There is a risk that the council will not be able to obtain assurance from the audit manager in the future regarding the effectiveness of internal control.</p>	<p>A review of audit reports, formats and assurance levels has been carried out and updates introduced.</p> <p>Executive Directors will be more actively engaged in the audit progress</p> <p>Improved monitoring arrangements will be introduced and communicated to the executive team and more follow up audits will be carried out.</p> <p>Performance monitoring of audit plans will be introduced to ensure audits are conducted on a timely basis and that responses from managers are timely too.</p>	Lisa Kitto
<p><b>Internal Audit Provision</b></p> <p>A review of the internal audit service has identified some weaknesses in service provision, and the approach adopted for internal audit across the council. An independent review identified a number of recommendations to improve the overall approach and quality of the service.</p>	<p>An audit improvement plan has been developed and will be implemented. The internal consultant is currently providing additional advice and support as part of the wider governance review including an assessment of the service against national standards.</p>	Lisa Kitto

<p>If action is not taken to address these, there is a risk that the Council does not have an effective internal audit provision and overall governance and measures of assurance are ineffective. This will weaken the internal governance arrangements for the Council.</p>	<p>Capacity and skills update for the team will be considered and factored into the wider finance restructure.</p>	
<p><b>Procurement</b></p> <p>Processes in relation to procurement need updating and training provided to managers. The reputational risk caused by failure to follow processes and procedures is significant.</p> <p>The consolidated contracts register is not up to date which also means that opportunities for consolidating contracts is lost and that lost value is not achieved.</p>	<p>Procurement survey to be undertaken to identify issues with managers involved in procuring of goods and service, Action plan to be developed and new guidance produced.</p> <p>Contracts register to be brought together – contract management arrangements, accountabilities and responsibilities to be defined and embedded.</p>	<p><b>Lynne Ridsdale</b></p>
<p><b>Capital</b></p> <p>The capital financial framework and accounting process requires a refresh in order to ensure that capital accounting records and standards are maintained and are effective. A review of capital processes is also needed to avoid slippage and to ensure that schemes are delivered on time.</p>	<p>Refresh and update the capital strategy.</p> <p>Review, update and reset the capital programme in light of COVID-19 and the funding available.</p> <p>Train and upskill staff to ensure specialist capital knowledge of a high standard is available within the Council.</p>	<p><b>Lisa Kitto</b></p>
<p><b>DSG</b></p> <p>The deficit on the DSG reserve has increased by c£5m in 2019/20 and is over £20m in total. There is a danger that the deficit could</p>	<p>Full root and branch review of the DSG recovery plan to consider options for the future.</p>	<p><b>Karen Dolton/Lisa Kitto</b></p>

<p>be greater than the annual High Needs allocation which will make recovery of the position extremely challenging.</p> <p>The DSG Recovery Plan. Agreed with the DfE does deliver a break-even position and therefore sustainability of services may be an issue.</p>	<p>Establishment of a task and finish recovery group with corporate representation to enable a wider corporate position to be taken.</p> <p>Reports to Cabinet throughout the year.</p>	
<p><b>Health and Social Care Integration</b></p> <p>The ability to deliver savings attributed to health and social care integration may be a reality and will impact on the financial plans of both the Council and the CCG.</p>	<p>Full assessment of savings delivery plan and delivery through the health and social care recovery board. Monthly updates and reporting on variances that may lead to non-delivery of plans.</p>	
<p><b>Fraud</b></p> <p>The opportunity for fraud during the COVID-19 crisis has increased. Fraudulent claims of business grants and potentially other benefits is likely to have occurred.</p>	<p>Engagement in wider national fraud initiatives focused on these issues.</p> <p>Review of cases that have been identified as unusual and require investigation. Fraud team to report on approach, findings and outcomes to the Audit Committee.</p>	<p><b>Lisa Kitto</b></p>
<p><b>Leadership and workforce development</b></p> <p>The absence of a corporate leadership development does not allow assurance that leaders have the skills and mind-set to drive forward corporate priorities.</p>	<p>A leadership development strategy will be developed over the next financial year as part of an internal transformation programme.</p>	<p><b>Lynne Ridsdale</b></p>

The workforce skills/ "behaviour" framework will require review as part of the new Corporate Plan, when developed, to ensure alignment with key skills base and delivery outcomes.	The staff skills and training offer will be updated to underpin the new Corporate Plan once developed this year.	
--	--	--

# REPORT FOR DECISION



<b>DECISION OF:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>30 July 2020</b>
<b>SUBJECT:</b>	<b>CIPFA C.Co Ltd Review of Internal Audit</b>
<b>REPORT FROM:</b>	<b>Mike Woodhead</b>
<b>CONTACT OFFICER:</b>	<b>Lisa Kitto</b>
<b>TYPE OF DECISION:</b>	<b>COUNCIL OR CABINET (NON KEY DECISION)</b>
<b>FREEDOM OF INFORMATION/STATUS:</b>	This paper is within the public domain
<b>SUMMARY:</b>	<p>Earlier this year CIPFA C.Co Ltd (C.Co) was commissioned to undertake a brief review of the Internal Audit service within Bury MBC.</p> <p>The attached report, issued in March 2020, provides the detailed findings and recommendations emerging from the review.</p>
<b>OPTIONS &amp; RECOMMENDED OPTION</b>	<p>Audit Committee is asked to:</p> <ul style="list-style-type: none"> <li>• To note content of the report;</li> <li>• To note that an action plan has been developed and is attached with the Quarter 1 monitoring report;</li> <li>• To acknowledge that the Internal Audit service has already progressed some of the recommendations;</li> <li>• To agree an appropriate reporting schedule for progress updates.</li> </ul>
<b>IMPLICATIONS:</b>	
<b>Corporate Aims/Policy Framework:</b>	<p>Do the proposals accord with the Policy Framework?</p> <p>Yes No</p>

<b>Statement by the S151 Officer: Financial Implications and Risk Considerations:</b>	<p>The requirement for an Internal Audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires authorities to "make arrangements for the proper administration of their financial affairs".</p> <p>Regulation 6 of the Accounts and Audit (England) Regulations 2011, more specifically requires that "a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".</p> <p>An effective Internal Audit function supports good governance and provides assurance on the Council's control environment for those charged with governance and the review is welcomed as a way of enhancing corporate governance.</p>
<b>Equality/Diversity implications:</b>	No direct implications
<b>Considered by Monitoring Officer:</b>	Yes                      Comments
<b>Wards Affected:</b>	All
<b>Scrutiny Interest:</b>	None

**TRACKING/PROCESS****DIRECTOR:**

Joint Executive Team/CCMT	Cabinet Member/Chair Briefed	Ward Members (if necessary)	Partners
Scrutiny Committee	Other Committee	Council	Comms

**1.0 BACKGROUND**

- 1.1 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.

### **2.0 ISSUES**

- 2.1 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.
- 2.2 Although the Internal Audit team, in particular its Audit Manager, 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

### **3.0 CONCLUSION**

- 3.1 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.
- 3.2 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.

---

#### **List of Background Papers:-**

High Level Review of Internal Audit (CIPFA C.Co Ltd, March 2020)

#### **Contact Details:-**

Ian Kirby – Programme Director (CIPFA C.Co Ltd)

This page is intentionally left blank

## High-Level Review of Internal Audit



## Final Report

---

Author: Ian Kirby

Date: 03 March 2020



## Document Control

<b>Document Title:</b>	High-Level Review of Internal Audit		
<b>Date:</b>	03.03.2020	<b>Version:</b>	02
<b>Issue:</b>			
<b>Sponsor:</b>	Lisa Kitto – (Interim) Assistant Director of Finance		
<b>SRO:</b>	Janet Spelzini – Audit Manager		
<b>Portfolio Holder</b>			
<b>Authors</b>	Ian Kirby – Programme Director		

Date	Approval	Version	Signature

## Contents

<b>Document Control</b>	Page 2
<b>Executive Summary</b>	Page 4
• Introduction	Page 4
<b>Detailed Methodology</b>	Page 5
• Approach	Page 5
<b>Detailed Findings</b>	Page 6
<b>Summary Table of Recommendations</b>	Page 13

## Executive Summary

### Introduction

- 1.1 As part of its existing work with Bury MBC, 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.
- 1.2 The desktop element of the review identified 14 key lines of enquiry for consideration during the on-site activity. All 14 elements were discussed with the Audit Manager and reviewed against specific additional pieces of evidence such as Audit reports. The outcomes of the both desktop and on-site activity has informed both the overall summary below and the recommendations that follow. An evaluation of the 14 areas is contained within the body of this report.
- 1.3 The Internal Audit team, in particular its Audit Manager, are keen to deliver an effective compliant service within the Council. However, 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 include:
  - 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 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
- 1.4 The proposed recommendations, 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.

- 1.5 This report represents a 'true and fair view' based upon the evidence supplied and subsequent discussions. C.Co would like to place on record its gratitude to all Bury officers who supported and contributed to this review.

## Detailed Methodology

### Approach

- 2.1 In advance of the review, a number of key audit documents were requested. These documents included:
- Corporate and directorate risk registers
  - Internal Audit Plan 2019/20
  - Emerging Internal Audit Plan 2020/21
  - Final Audit reports covering a range of audit scores
- 2.2 A small number of documents were sent to C.Co in advance of the planned on-site review period and from these a number of key lines of enquiry were identified. The identification of these key lines was triggered by a number of factors including: availability, completeness and quality.
- 2.3 The 14 key lines of enquiry identified were:
- Standing of Internal Audit within the Council
  - Positioning of the Head of Internal Audit
  - Risk-based Auditing and Planning
  - Resources and available days
  - Assurance Mapping
  - Audit delivery
  - Consultancy
  - Terms of Reference/Reporting
  - Contractual Basis for the Delivery of Audit to Council Companies
  - KPIs, Progress Reporting, Accountability
  - Annual Report & Opinion
  - PSIAS Review and QAIP
  - Relationship with Audit Committee
  - Chair of Audit's input into the performance review of the Head of Internal Audit
- 2.4 The on-site activity included meetings with the Audit Manager and Interim Assistant Director of Finance and a further review of the additional papers provided on the day. Each key line of enquiry was explored in the context of Bury Council and reviewed against the standards and/or best practice. Where appropriate, recommendations for improvement have been identified.

## Detailed Findings

### Standing of Audit within the Council

- 3.1 Based upon the review of documentation and discussions with the Audit Manager and Assistant Director of Finance it is clear that the visibility, understanding and impact of Internal Audit, within the Council, is not where it should be. The perception is that Audit is reactive, is directed in its activity and has little evidence of the impact it is making on the wider organisation.

The reasons for this are varied and linked to the role and culture of governance within the organisation, the perceived maturity of risk management and the ability of the Audit Plan to address and mitigate the Council's wider exposure to risk. The specific risk-related issues are covered below, but there is clearly a role for Internal Audit in 'resetting the clock', creating greater awareness of its role and ability to support the organisation in the delivery of its key objectives.

#### 3.1 Internal Audit Awareness

Internal Audit should use the additional time afforded by the delay in the production of the Internal Audit Plan for 2020/21 to effectively engage with those charged with governance and the wider Council to raise awareness of:

- The statutory role of Internal Audit
- The ability of audit to deliver consultancy within the organisation
- To identify opportunities to impact the overall control framework/governance within the Council.

### Positioning of the Head of Internal Audit

- 3.2 The role of the Head of Internal Audit currently sits as part of the wider responsibilities of the Head of Finance. Whilst this is not an uncommon arrangement, in comparison to other similar organisations, it is unclear whether this arrangement has contributed to the seemingly hidden nature of Audit within the Council. In considering the future of Internal Audit, and indeed wider governance including risk management, it would be reasonable to consider alternative arrangements for the delivery of the role. Recasting the role may help with raising the profile of the team, increasing awareness across the organisation and driving the required operational change that maximises the impact of the team. A number of organisations have combined the roles of Audit & Risk and given the evident limitations of current risk management arrangements, a combined role may be appropriate for Bury moving forward. Copies of an example Audit & Risk role were provided, for illustration, during the on-site activity.

### 3.2 Positioning of the Head of Internal Audit

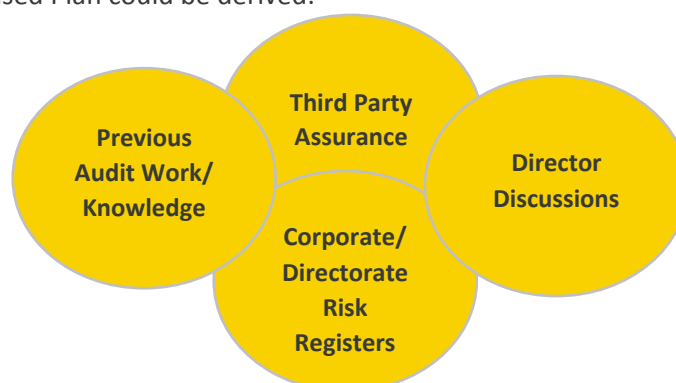
Review the role of the head of Internal Audit in the context of wider governance and the potential restrictions that the current arrangements may have on the ability of the team to impact, positively on the wider control framework.

## Risk-based Auditing & Planning

- 3.3 Public Sector Internal Audit Standard 2010 clearly states that the head of Internal Audit “must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. As part of the initial document request, corporate and directorate risk registers and the Internal Audit Plan were requested in order to track audit activity back to the identified, current risks facing the organisation.

C.Co were sent details of 12 corporate, strategic risks that were marked as red (overdue, failing etc). The 12 risks included the telephone system, GDPR compliance and system upgrades. The risks are operational in nature and did not feel particularly corporate or strategic. Additionally, there was no sense of consequence that these risks are red with no evidence of remedial plans being put in place and officers held to account. It is perhaps no surprise then that the Audit Plan for 2019/20 evidences little of the risk registers in its planned activity. Indeed, only one Audit can be broadly linked to one of the identified risks.

Discussions with the Audit Manager suggest that much of the content of the Plan is given or directed by service managers from a general allocation of audit time within a nominal Plan. Internal Audit should be able to demonstrate the risk-based decision-making that has contributed to the development of the Audit Plan ensuring that the impact of their work has the greatest added value to the organisation. As a minimum, the high-level diagram shows how a risk-based Plan could be derived:



Using a structured evidence basis makes it easier for Internal Audit not only to plan its activity with a clear link to corporate and directorate risk, to demonstrate to the organisation where it is adding value and to positively impact overall control and governance.

### 3.3 Risk-based Planning and Delivery

Develop a risk-based methodology to ensure and evidence that the Audit Plan is evidentially risk-based and delivering the right audits to deliver maximum contribution to overall control.

## Resources and Available Days

- 3.4 The structure of Internal Audit provides just under 900 available or direct audit days. This is based on 220 days for full-time auditor, with adjustments made for part or term time arrangements and for the Audit Manager to undertake planning and other non-chargeable activity. It is not for C.Co to say whether this figure is absolutely too high or too low. However, given the perceived governance issues within the Council, including its apparent risk maturity, the number of audit days feels low.

No assessment or comparison of the relative quality or volume of work produced has been undertaken and it is difficult therefore to determine if the 900 days is being delivered to the same level of quality, consistency and volume across the Internal Audit team.

### 3.4 Internal Audit Resources

Review the structure/available resources for Internal Audit in context of the delivery of a risk-based Plan for 2020/21. In other words, determine on a risk basis the audits that the organisation needs and then review available resources against this requirement.

## Assurance Mapping

- 3.5 Assurance Mapping is the process of identifying other sources of assurance, usually provided by third parties such as inspection agencies and accreditable bodies, in order to take a riskbased audit view whether or not there needs to be coverage within the Audit Plan. Audit teams, in this case Bury's, have limited resource to address all risks and/or the organisations requirement for audit. Assurance mapping is a best practice methodology that enables the appropriate allocation of resource to where the need is greatest.

An assurance mapping exercise has not been undertaken, to date, in Bury Council.

### 3.5 Assurance Mapping

To support the development of a risk-based Internal Audit Plan, undertake a detailed and evidence-based assurance mapping exercise to ensure that the right level of resource is applied to the areas of most significant risk.

## Audit Delivery

- 3.6 It was difficult in the time available for this review to adequately assess the quality of the audits that have been delivered by the team. Accepting that little evidence exists to track audit activity to organisational risk, there is a suggestion that the collective learning from audit work is not routinely communicated or adopted across the organisation.

Discussion with key officers suggests that audits often fail to consider the bigger, organisational picture and merely focus on the area in hand. To illustrate this point, the 'Winter Maintenance' audit report dated July 2019 identifies that over the last three years the service overspent on its budget to the tune of £259,928 or an average of just over £86,000 per year. Given that the annual budget was between £264k and £289k during this period,

the Council has effectively paid four years winter maintenance delivery for the price of three. There may well be legitimate reasons for the annual additional spend. However, of greater concern is the fact that the Audit report states “Internal Audit is satisfied that adequate procedures are in place to accurately monitor the expenditure relating to the winter maintenance service” and offers no recommendation for improvement. The processes for monitoring the expenditure may well be very good, but actual expenditure is consistently over budget but here is no suggestion that budget and/or expenditure is reviewed, this would appear to be a missed opportunity.

### 3.6 Audit Delivery

Develop a process of quality assurance, review and training that enables a rigorous challenge of findings, assumptions and recommendations to ensure that all audits deliver maximum impact for the wider Council.

## Consultancy

- 3.7 The Standards clearly define internal audit as an “independent, objective assurance and consulting activity”. An allocation of days for consultancy within the planned activity of an internal audit function provides resources to enable the service to support key activity, major projects and new initiatives that a council may wish to undertake. Operating in a consultative capacity enables Internal Audit to contribute at the outset of an initiative rather than reviewing after the fact and being perceived as a ‘critic’ or ‘blocker’. There is no allowance for consultancy days in the current Bury Plan and no obvious consultancy activity takes place

### 3.7 Consultancy

In developing the 2020/21 Plan for May this year, consider an appropriate allocation of days for consultancy activity to support the Council’s achievement of its wider corporate objectives.

## Terms of Reference/Reporting

- 3.8 Internal Audit use an engagement letter/memo to set out the scope, requirements and timing of individual audits. Although the specific letters were not reviewed as part of this review, use of such engagement letters or more formal terms of reference is widely seen as good practice and is supported.

Aside from the reporting issues identified in 3.6 above, the impact of the current reports is questionable. For example, the ‘winter maintenance’ review is classed as inadequate, but the assessment label is almost hidden in the summary narrative and fails to deliver impact for the auditee. The inadequate rating is given because there are more than two medium value recommendations. C.Co would question whether a formulaic assessment score is appropriate and that scores should be linked to the exposure of risk, lack of control etc. Additionally, the inclusion of significant numbers of low level recommendations can dilute the impact of both High and Medium recommendations thus lessening the impact of individual audit reports. C.Co is aware of some organisation who present low level recommendation as ‘advisories’ and this is worth consideration.

### 3.8 Terms of Reference/Reporting

Review the structure, narrative and impact of Audit reports including the requirement/desire to include all low-level recommendations as formal recommendations.

## Auditing Council Companies

- 3.9 As part of its on-site discussions C.Co were made aware that the Internal Audit team have contractual arrangements for the provision of Internal Audit services on a bought back basis from Persona and Six Town Housing. The contracts provide 40 and 75 audit days respectively on a contractual rather than risk basis. Engagement in the audit process is mixed and there has been occasion where the team has delivered more audit days than contracted without charging the company a daily or set rate for the additional time.

### 3.9 Commercial Delivery of Audit

The Internal Audit service has a commercial, contractual arrangement with two Council owned companies. In delivering this service, the team need to consider its own commerciality. It needs to be clear on cost per unit, cost per day, delivery within budget and cost/process for the commissioning of additional days.

It should ensure that value for money is demonstrable on behalf of the companies and there should be clear separation between the contracted work from the companies and the need to deliver assurance on behalf of the client, the Council.

## KPIs, Progress Reporting and Accountability

- 3.10 C.Co were advised that the Internal Audit service monitors its performance through a series of key performance indicators (KPIs). However, it is not clear how often these indicators are reviewed and whether they are communicated to the wider organisation in order to enable the Council to hold Audit to account for its performance. Also, if progress reports are not presented to Management or Committee then it is difficult for issues and those responsible for remediating those issues to be held to account for delivery/non-delivery. This reduces the overall impact that Audit has on the organisation and its governance framework. C.Co support a review of KPIs and suggest that a comprehensive suite of measures is developed to highlight the delivery of Internal Audit's work and its impact on the wider organisation.

### 3.10 KPIs, Progress Reporting and Accountability

In reviewing its key performance indicators, it is suggested that the following indicators should be retained or developed as part of this review:

- **Elapsed time** – this is start and finish time of the audit assignment overall and reflects the value of an audit being completed within an appropriate timescale.
- **Implementation of recommendations** – although the implementation of recommendations is not the responsibility of Internal Audit, this measure is more reflective of the impact of Internal Audit on the control environment, the quality of its recommendations and highlights where managers have failed to implement. It also links into our suggestion of the review of the ‘follow up’ procedures
- **Plan delivery** – a measure of progress that enables regular discussion about factors such as resourcing that impact on the delivery of Plan
- **Delivery within planned days** – a measure that highlights the ability to plan and deliver the time allocation for audits appropriately
- **Draft to Final Report turnaround** – again not all in the gift of Internal Audit but a useful measure to highlight where any ‘sign-off’ blocks exist and that the Final report is the key audit ‘product’.

## Annual Report & Opinion

3.11 The Audit Manager is relatively new to the senior role and has not yet had an opportunity to deliver an annual report and opinion on the Council’s control environment, both requirements of the Audit Standards. Given the apparent issues with risk management, the impact of Internal Audit within the organisation and implications for overall governance, it may be difficult to deliver a positive opinion. However, it is important that the Audit Manager is supported to determine an evidence-based annual report and opinion and that the opinion provides a clear action plan and way forward for the service and the Council as a whole.

### 3.11 Annual Report & Opinion

Ensure that the Head of Internal Audit is supported to provide a true and fair annual report and opinion that is supported by clear actions and accountability.

## PSIAS Review & QAIP

3.12 Introduced in 2014, the Public Sector Internal Audit Standards (PSIAS) require that an external assessment of an organisation’s internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. Bury’s was undertaken in 2016 through peer review under the North West Chief Audit Executives’. The overall result was ‘partially conforms’. It would be helpful to the team if they were to revisit the report and associated action plan to determine if all actions are complete. As the five year period runs out in 2021, it would be prudent for the team to be preparing for their next assessment and C.Co would suggest that completing the new Local Government Application Note self-assessment would add value.

### 3.12 PSIAS Review & QAIP

Review the 2016 review action plan to ensure that actions have been completed.

Commence preparations for the 2021 review by completing the Local Government Application Note self-assessment.

## Relationship with Audit Committee

3.13 Discussions with officers suggest that attendance by both the Chair of Audit Committee and Audit Manager at recent external training events has “opened eyes” to the deficiencies in some of Bury’s governance including the development of the Annual Governance Statement itself.

It is important to ensure that an appropriate programme of training and development supports all those with a responsibility for governance to understand and exercise those responsibilities in a way that positively impacts all Council delivery.

It is important also that the Head of Internal Audit and Chair of Audit Committee meet regularly to discuss audit activity, emerging risks and the implementation of recommendations.

### **3.13 Relationship with Audit Committee**

Consider the development of an officer/Member governance awareness and development programme to ensure that mutual roles and responsibilities are understood and delivered in a way that supports the wider governance framework.

## Chair of Audit’s Input into the Performance Review of the Head of Internal Audit

3.14 Within the Standards there is an underlying principle that the independence of the Chief Audit Executive is safeguarded by ensuring that his or her remuneration or performance assessment is not inappropriately influenced by those subject to audit. “In the UK public sector this can be achieved by ensuring that the chief executive (or equivalent) undertakes, countersigns, contributes feedback to or reviews the performance appraisal of the Head of Audit and that feedback is also sought from the chair of the audit committee”. There is no evidence to suggest that the Chair of Audit Committee currently contributes to the annual appraisal of the head of Audit.

### **3.14 Chair of Audit’s Contribution to Head of Audit’s Performance Review**

In order to inform the annual appraisal of the Chief Audit Executive a formal process should be established to obtain appropriate feedback from the Audit Committee Chair.

## Summary Table of Recommendations

Reference	Page No.	Theme	Detailed Recommendation
3.1	6	Audit Awareness	<p>Internal Audit should use the additional time afforded by the delay in the production of the Internal Audit Plan for 2020/21 to effectively engage with those charged with governance and the wider Council to raise awareness of:</p> <ul style="list-style-type: none"> <li>The statutory role of Internal Audit</li> <li>The ability of audit to deliver consultancy within the organisation</li> </ul> <p>Identify opportunities to impact the overall control framework/governance within the Council.</p>
3.2	6	Positioning of Head of Audit	<p>Review the role of the head of Internal Audit in the context of wider governance and the potential restrictions that the current arrangements may have on the ability of the team to impact, positively, wider control.</p>
3.3	7	Risk-based Planning	<p>Develop a risk-based methodology to ensure and evidence that the Audit Plan is evidentially risk-based and delivering the right audits to deliver maximum contribution to overall control.</p>
3.4	8	Resourcing	<p>Review the structure/available resources for Internal Audit in context of the delivery of a risk-based Plan for 2020/21. In other words determine on a risk basis the audits that the organisation needs and then review available resources against this requirement.</p>
3.5	8	Assurance Mapping	<p>To support the development of a risk-based Internal Audit Plan, undertake a detailed and evidence-based assurance mapping exercise to ensure that the right level of resource is applied to the areas of most significant risk.</p>

3.6	9	Delivery	Develop a process of quality assurance, review and training that enables a rigorous challenge of findings, assumptions and recommendations to ensure that all audits deliver maximum impact for the wider Council.
3.7	9	Consultancy	In developing the 2020/21 Plan for May this year, consider an appropriate allocation of days for consultancy activity to support the Council's achievement of its wider corporate objectives.

Reference	Page No.	Theme	Detailed Recommendation
3.8	10	Reporting	Review the structure, narrative and impact of Audit reports including the requirement/desire to include all low-level recommendations as formal recommendations.
3.9	10	Commerciality	<p>The Internal Audit service has a commercial, contractual arrangement with two Council owned companies. In delivering this service, the team need to consider its own commerciality. It needs to be clear on cost per unit, cost per day, delivery within budget and cost/process for the commissioning of additional days.</p> <p>It should ensure that value for money is demonstrable on behalf of the companies and there should be clear separation between the contracted work from the companies and the need to deliver assurance on behalf of the client, the Council.</p>

3.10	10	KPIs/Progress Reporting	<p>In reviewing its key performance indicators, it is suggested that the following indicators should be retained or developed as part of this review:</p> <ul style="list-style-type: none"> <li>Elapsed time – this is start and finish time of the audit assignment overall and reflects the value of an audit being completed within an appropriate timescale.</li> <li>Implementation of recommendations – although the implementation of recommendations is not the responsibility of Internal Audit, this measure is more reflective of the impact of Internal Audit on the control environment, the quality of its recommendations and highlights where managers have failed to implement. It also links into our suggestion of the review of the ‘follow up’ of recommendations</li> <li>Plan delivery – a measure of progress that enables regular discussion about factors such as resourcing that impact on the delivery of Plan</li> <li>Delivery within planned days – a measure that highlights the ability to plan and deliver the time allocation for audits appropriately</li> <li>Draft to Final Report turnaround – again not all in the gift of Internal Audit but a useful measure to highlight where any ‘sign-off’ blocks exist and that the Final report is the key audit ‘product’.</li> </ul>
Reference	Page No.	Theme	Detailed Recommendation
3.11	11	Annual Report & Opinion	Ensure that the Head of Internal Audit is supported to provide a true and fair annual report and opinion that is supported by clear actions and accountability.
3.12	11	PSIAS & QAIP	<p>Review the 2016 review action plan to ensure that actions have been completed.</p> <p>Commence preparations for the 2021 review by completing the Local Government Application Note self-assessment.</p>

3.13	12	Audit & the Committee	Consider the development of an officer/Member governance awareness and development programme to ensure that mutual roles and responsibilities are understood and delivered in a way that supports the wider governance framework.
3.14	12	Chair & Head of Audit Appraisal	In order to inform the annual appraisal of the Chief Audit Executive a formal process should be established to obtain appropriate feedback from the Audit Committee Chair.

This page is intentionally left blank

<b>DECISION OF:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>30 July 2020</b>
<b>SUBJECT:</b>	<b>Audit Monitoring Report – Quarter 1 as at 30 June 2020</b>
<b>REPORT FROM:</b>	<b>Mike Woodhead</b>
<b>CONTACT OFFICER:</b>	<b>Lisa Kitto</b>
<b>TYPE OF DECISION:</b>	<b>NON KEY DECISION</b>
<b>FREEDOM OF INFORMATION/STATUS:</b>	This paper is within the public domain
<b>SUMMARY:</b>	This report sets 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.
<b>OPTIONS &amp; RECOMMENDED OPTION</b>	<p>The Audit Committee is asked to:</p> <ul style="list-style-type: none"> <li>• note this report and the work undertaken by Internal Audit;</li> <li>• Seek clarification / challenge any parts of the report / audit reports which have been presented to Committee;</li> <li>• Endorse 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;</li> <li>• Determine if details of sickness statistics for the Council should be brought to further Audit Committees;</li> <li>• Note that performance indicators will be presented to the next Committee meeting for consideration and approval.</li> </ul>
<b>IMPLICATIONS:</b>	
<b>Corporate Aims/Policy Framework:</b>	<p>Do the proposals accord with the Policy Framework?</p> <p>Yes No</p>

<b>Statement by the S151 Officer: Financial Implications and Risk Considerations:</b>	Internal Audit is a key part of the Council's internal governance arrangements and ensures that the S151 responsibilities are effective.
<b>Equality/Diversity implications:</b>	No direct implications
<b>Considered by Monitoring Officer:</b>	Yes <span style="float: right;">Comments</span>
<b>Wards Affected:</b>	All
<b>Scrutiny Interest:</b>	None

**TRACKING/PROCESS****DIRECTOR:**

Joint Executive Team/CCMT	Cabinet Member/Chair Briefed	Ward Members (if necessary)	Partners
Scrutiny Committee	Other Committee	Council	Comms

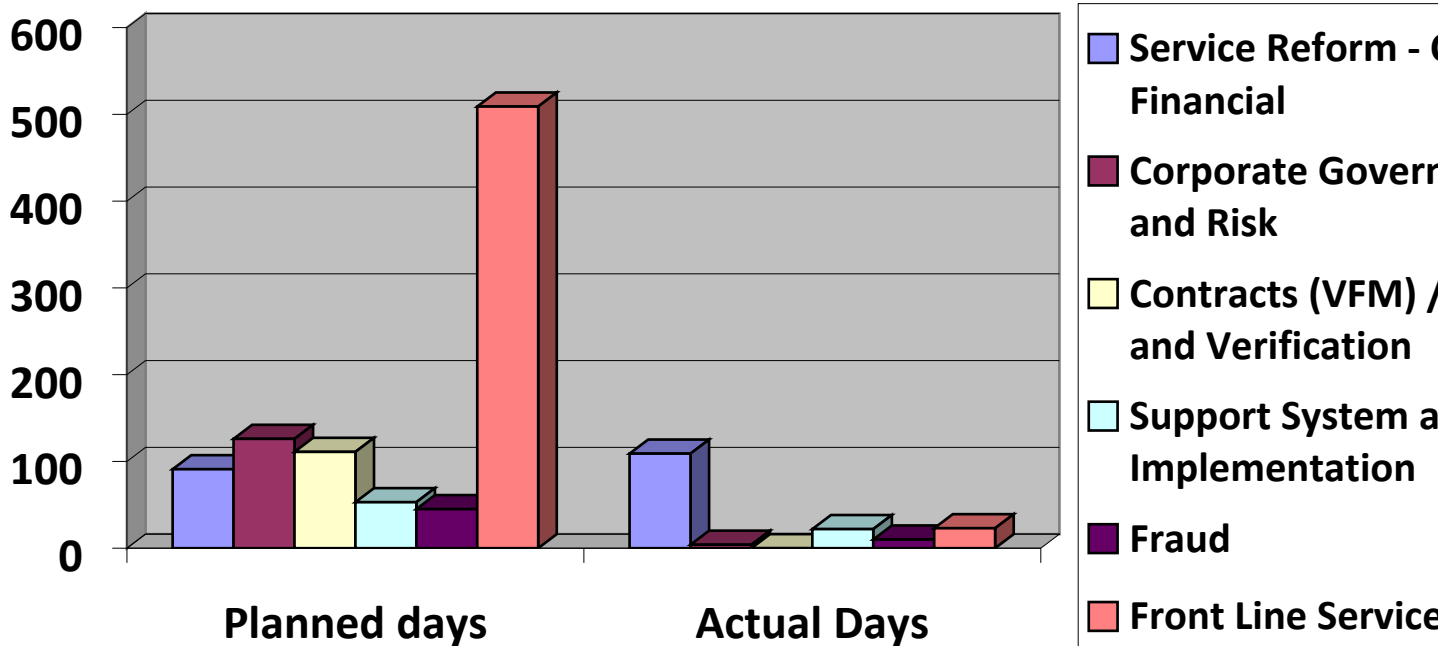
## **1.0 BACKGROUND**

- 1.1 This report outlines the work undertaken by Internal Audit between 1<sup>st</sup> April 2020 and 30<sup>th</sup> June 2020.
- 1.2 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 role in advising the organisation that these arrangements are in place and operating properly. On behalf of the Council, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of these arrangements.
- 1.3 The primary role of audit is to provide assurance to the organisation (Chief Executive, Strategic Directors and the Audit Committee) and ultimately the taxpayers, that the Council maintains an effective control environment that enables it to significantly manage its business risks. The service helps the Council achieve its objectives and provides assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Council's control environment which feeds into the Annual Governance Statement.
- 1.4 The Internal Audit Plan for 2020/21 was approved by Audit Committee at the meeting on 2 June 2020 and work has been continuing throughout the year to date. Regular progress reports are produced, informing Members of audit activities, and this is the first report of the 2020/21 financial year covering the period from 1 April 2020 to 30 June 2020 and includes 38 completed weeks.

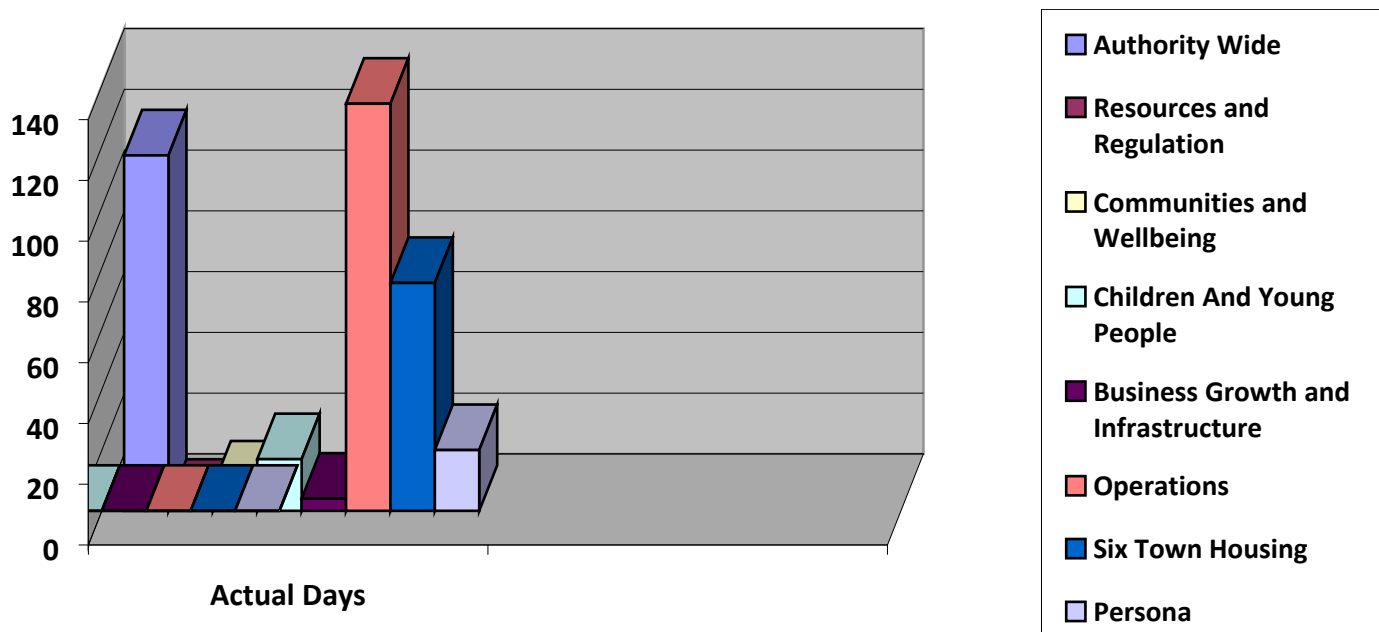
## **2.0 ISSUES**

### **2.1 Audit Plan – Update for the 2020/21 financial year:**

- 2.1.1 The original approved plan provided for 935 days to be delivered throughout the 2020/21 year, across all Council Departments covering a range of themes.
- 2.1.2 Work on the 2020/21 plan has progressed satisfactorily and 168 days, 18% of planned days, have been delivered. The chart below shows the planned and actual days for each activity area.



2.1.3 The 168 days has been delivered across the various departments:-



2.1.4 A total of 12 reports were issued in the quarter to managers and 1 report has been fully completed and issued to members. This is set out at Appendix A. The remainder are with service managers for information to be sent back on the management action to be undertaken. Of the report that has been issued to committee members it had an overall opinion of substantial. There were seven recommendations in the report, none of which are fundamental and require disclosure for the governance statement.

- 2.1.5 Whilst only one final report has been issued to Committee Members, there has been a lot of work undertaken by Internal Audit in the first quarter and reports were issued in early July, in particular those relating to key control audits. The focus of the work to date has been completing works outstanding from the 2019/20 plan, for which 20 days provision was allowed in the 2020/21 annual plan. The audits in the main are the audits of key controls of major financial systems. This work provides assurance on the procedures in place for processing information included in the Council's accounts. The indications of this work undertaken so far is that Full or Substantial assurances are likely. A verbal update will be provided at the Committee.

Additionally, the majority of audits highlighted in the annual plan for delivery during quarter 1 have also been commenced. Details are shown in Appendix B.

- 2.1.6 In response to COVID 19, some audit time was directed at providing support to a Priority 1 service, Business Rates, reviewing the process to be adopted for administering Business Grant applications received, and also initially recording the applications and checking for duplicates. Given the value of the grants to be paid out (over £35m) and the speed in which local authorities were expected to work at, the time was considered to be essential to the overall risk management framework. There is a contingency of 20 days in the 2020/21 audit plan, for unplanned work and the majority has now been used. Therefore, if the level of unplanned work continues at the same rate there is a risk that a revised audit plan will need to be brought to Committee later in the year.
- 2.1.7 The service has unfortunately experienced sickness during this quarter, 15 days. There was a provision for 30 days sickness for the year taken into account in the audit planning process. There is a risk that if further significant episodes of sickness occur throughout the year there will be an impact on the delivery of the full year audit plan. This situation will be monitored and if required a revised audit plan will be submitted to Committee later in the year.
- 2.1.8 Members will be aware that we have conducted or taken part in a number of investigations in recent years, and other additional tasks. Careful monitoring is undertaken of the situation and results in assessing and re-assessing our priorities. To date there has been no significant investigation work to report and I am satisfied that our major commitments, as identified in the plan, are being achieved.
- 2.1.9 An external review of Internal Audit has recently been undertaken. This has made recommendations for the service to address. An action plan has been established, and progress is now being made to implement the recommendations. The action plan is provided at Appendix C, and Members are asked to endorse the action plan and the timetable within it. Updates regarding progress to implement the recommendations will be provided to future Committees.
- 2.1.10 Internal Audit have recently changed the style of the reports produced, they have been significantly shortened and focus on key findings only. The opinion ratings have been changed so that a level of assurance on the area examined is provided, and the narratives regarding recommendations have changed, along with the criteria used for applying the levels.

## **2.2 Follow up audits**

- 2.2.1 A list of follow up audits undertaken since the last update to audit Committee in November 2019 is set out at Appendix D. Fourteen follow up reviews have been undertaken and copies of follow up reports are available on request.
- 2.2.2 The appendix details 5 of 38 recommendations which management had agreed to implement, still appear to be outstanding. Further details are recorded in the appendix. Four recommendations relate to the major financial systems which are covered each year in the key control reviews. The testing of these areas have been repeated in the 2019/20 reviews which are being finalised, and where necessary the recommendations are repeated in the reports to be issued. A new team of Finance Managers has been brought together, representing all areas of the Council, and, who also administer the major financial systems. This team meets regularly and they are aware of the recommendations outstanding and are progressing these to make sure they are resolved as soon as possible. At least one of the recommendations relates to a systems issue that is outside the control of the council.

## **2.3 Anti-fraud and Corruption - Cash Transactions**

- 2.3.1 Levels of cash transactions are monitored by Internal Audit, with a view to ensuring there are no potential cases of money laundering taking place. In the first quarter of the year there were no cash transactions which exceeded £5000 reported to Internal Audit. The Council is developing further options to reduce cash transactions as part of the development of Finance services. It is anticipated that cash transactions will reduce over time as online and contactless payments become the norm.

## **2.4 Sickness Update**

- 2.4.1 The Audit Committee has in the past shown considerable interest in sickness absence, requesting absence data and action plan updates from Executive Directors. Details of sickness levels and action being taken to address sickness levels was provided to Audit Committee at the last meeting on 2nd June 2020.
- 2.4.2 The statistics previously provided were broken down and reported across three Departments. The Council has restructured, and is still going through various other restructures, and as these take place the payroll structure is being realigned to reflect the current establishment. When the information can be provided to Committee in a more segmented way, then if it is still required by the current Audit Committee, it will be included in future reports.

## **2.5 Performance Indicators:**

- 2.5.1 Performance indicators for the service are currently being updated and refreshed in line with the recommendations from the external review. A suite of performance indicators will be reported to the next Committee.

## **3.0 CONCLUSIONS**

- 3.1 The majority of work outstanding from the 2019/20 plan has been completed and reports have been issued to clients. It is expected that the reports will be provided to Members for the next Committee meeting in September.

- 3.2 Work on the 2020/21 plan is progressing well and the main targets are being achieved.
- 3.3 An external review of Internal Audit has taken place. The review highlighted areas for internal audit to reflect upon and an action plan has been agreed to address the recommendations made. Work to make the improvements has already commenced.

### **4.0 RECOMMENDATIONS**

- 4.1 Audit Committee is asked to:
- note this report and the work undertaken by Internal Audit;
  - Seek clarification / challenge any parts of the report / audit reports which have been presented to Committee;
  - Endorse 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;
  - Determine if details of sickness statistics for the Council should be brought to further Committees;
  - Note that performance indicators will be presented to the next Committee meeting for consideration and approval.

**Janet Spelzini**  
**Acting Head of Internal Audit**

---

### **List of Background Papers:**

Internal Audit Plan 2020/21

Internal Audit Reports issued throughout the course of the year.

C CO report – Review of Internal Audit

### **Contact Details:-**

Ms J Spelzini, Acting Head of Internal Audit

Tel. 0161 253 5085

Email: j.spelzini@bury.gov.uk

This page is intentionally left blank

**Internal Audit Reports issued  
1<sup>st</sup> April 2020 to 30<sup>th</sup> June 2020**

Audit	Level of Assurance	Number of recommendations			Report Attached
<b>Six Town Housing</b>					
GDPR	Substantial	0	3	4	A1

This page is intentionally left blank

Bury Council – Internal Audit Service						
Follow Ups 1.4.2020 to 30.6.20						
<u>Department</u>	<u>Audit</u>	<u>Report reference</u>	<u>Rec Made</u>	<u>Recs Accepted</u>	<u>Recs Implemented</u>	<u>Comments</u>
Corporate Core	3 <sup>rd</sup> Party Access Management	2874/18	6	5	5	The original report recommended that consideration should be given to the risk of using generic logins for suppliers should an IT security incident occur. Management responded that they had already considered the risk associated with using generic logins for suppliers against multiple individual logins per supplier when the system was first set up. Management agreed that the risk was acceptable. Therefore the recommendation made was not implemented.
	Electoral Register		1	1	1	
	Debtors System	2903/19	8	8	7	The write off policy has not yet been reviewed and updated.
	Treasury Management Key Controls 2018/19	2908/19	1	1	1	
	Cash and Bank Key	2908/19	1	1	0	The report recommended that the operational issues with the CIVICA ICON system following the upgrade should be investigated with the

	Controls 2018/19					system supplier to prevent delays to the income allocations and bank reconciliation process. The 2019/20 review has identified that the issues are still apparent and the recommendation is therefore to be made again in the 2019/20 report. This recommendation is outside of the control of the council and is being discussed with the system supplier.
	Council Tax Key Controls	2909/19	3	3	3	
	Housing Benefit Key Controls 2018/19	2912/19	1	1	3	
	NNDR Key Controls	2913/19	1	1	0	<p>The report highlighted an imbalance between the properties on the Council's Business Rates system and the Valuation Office Agency records and recommended that the imbalance was addressed. The 2019/20 review has highlighted that this issue is still apparent and the recommendation is therefore to be made again in the 2019/20 report.</p> <p>The recent COVID pandemic and the opportunity for businesses to apply for small business grants has had the added benefit of businesses contacting the council with updated information. A data cleanse process is currently underway and it is hoped that the position will be significantly improved by the end of the year.</p>

	Main Accounting Key Controls	2915/19	4	4	3 of 4	The audit recommended that the procedure guide for the Reconciliations should be updated. Although changes to the processes have been noted, a new user guide has not yet been done.
	Bury Support Fund	2922/19	1	1	0	The report recommended that consideration should be given to requesting that customers provide receipts to demonstrate that the funding received has been used for its intended purpose. Subsequently if any purchases are identified for which awards were not intended, and no second payment is due through which an adjustment can be made, the customer should be requested to repay the relevant monies. Management originally responded that due to staffing resources issues it would be unlikely that the recommendation would be implemented until early 2020. During the follow up process it was identified that meetings have taken place and a plan was put in place to address the recommendation. However, as it is more resource intensive for the team it was proposed that the change would be implemented from 1.4.20. Due to COVID 19 with the current way of working and increased pressure on the service, the teams have been unable to implement the change. Management have stated that the changes will be implemented as soon as possible.
	<b>Total</b>		<b>28</b>	<b>27</b>		

Bury Council – Internal Audit Service						
Follow Ups 1.4.2020 to 30.6.20						
Six Town Housing	Damp and Condensation	2925/19	5	5	5	
	Complaints Procedures	2926/19	3	3	3	
	<b>Total</b>		<b>8</b>	<b>8</b>		
Children and Young People	Academisation	2867/19	2	2	2	
	<b>Total</b>		<b>2</b>	<b>2</b>		
Communities and Wellbeing	CRC	2924/19	1	1	1	
	<b>Total</b>		<b>1</b>	<b>1</b>		
	<b>Overall Total</b>		<b>39</b>	<b>38</b>		

CORPORATE GOVERNANCE AND RISK						
Directorate	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Days	Proposed Timing	Status
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	Not Started
SERVICE REFORM (Core Financial Systems)						
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	Ongoing – reconciling information recorded in Concerto to information in Unit4 and checking back to source information. No report expected. Work undertaken as part of final accounts process to address concerns raised by Mazars in 19/20.

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	Work in progress – all testing completed and reports being written and due to be submitted for review.
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	Work in progress – draft report has been issued for Children's Services. Reviews for other services not yet started.
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	Allocated to auditor and engagement letter is being drafted.

Other Commitments		
Activity	Indicative Days	Progress
Completion of audits commenced during 2019/20	20	<p>Audits in progress from 2019/20 which are being completed and finalised:-</p> <p>Fleet Management – testing being completed ad report being drafted</p> <p>Capital Payments to Contractors – testing being completed and report being drafted</p> <p>School Budgets – Testing being completed and report being drafted</p> <p>STH Fraud Risk Management Arrangements – testing being completed and report being drafted</p> <p>School Meals Income – report being reviewed</p> <p>Payroll Key Controls - - report being finalised</p> <p>Debtors Key Controls – report being finalised</p> <p>Housing Rents Key Controls – report being finalised</p> <p>Treasury Management Key Controls – report being finalised</p> <p>Cash and Bank Key Controls – Complete- final report to be issued to Members</p> <p>Council Tax Key Controls – Complete - final report due to be issued to Members</p> <p>NNDR Key Controls – Complete – final report due to be issued to Members</p> <p>Vehicle Workshop – Complete – final report issued to Members (QTR2)</p> <p>STH Planned Maintenance – draft report issued to client</p> <p>Creditors Children’s Services – draft report issued to client</p> <p>STH Fire Safety – draft report issued to client</p> <p>STH Risk Management – draft report issued to client</p> <p>Creditors Key Controls – draft report issued to client</p> <p>Main Accounting Key Controls PCI –DSS Compliance (Salford review) – draft report issued to client</p>

		Children's Services Purchase Cards – draft report issued to client GDPR – report drafted and submitted for review
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	Follow up work is undertaken throughout the year. Details of follow ups undertaken are reported to Committee in the audit progress report. Follow ups have been completed in quarter 1.
Contingency for GMCA Collaboration / reactive GM assurance work	5	
Contingency for Investigations and supporting the council's counter fraud strategy	30	Preparation commenced for 2020 NFI exercise. Liaison with Counter-fraud Team regarding Business Grants. Advice given to HR regarding a potential theft from Stores – a review has been built into the annual plan. Support / advice being provided for an ongoing confidential whistleblowing issue.
Development of joint working arrangements with Mersey Internal Audit Agency (CCG Auditors)	3	Liaison is currently taking place with MIAA to schedule a joint review later in the year, regarding Pooled Budgets.
Audit Management, including service development, assurance mapping, QAIP, anti-fraud and corruption strategy, audit planning and Committee support	40	Work has commenced to address the actions emerging from the review of Internal Audit. Summary reports for all reports issued in 2019/20 produced at request of Committee in June 2020.

Contingency for reactive or unplanned work, management request, consultancy work	20	
Provision of ICT review – by Salford Computer Audit Services (System Licencing)	20	Liaison to take place with Salford ICT Services to schedule work.



**Bury MBC – High Level Review of Internal Audit**  
**ACTION PLAN**

		<b>Response</b>	<b>Deadline</b>	<b>Responsibility</b>
1.	<p>Internal Audit should use the additional time afforded by the delay in the production of the Internal Audit Plan for 2020/21 to effectively engage with those charged with governance and the wider Council to raise awareness of:</p> <ul style="list-style-type: none"> <li>• The statutory role of Internal Audit</li> <li>• The ability of audit to deliver consultancy within the organisation</li> </ul> <p>Identify opportunities to impact the overall control framework/governance within the Council.</p>	<p>Work was commenced to address this point. Temporary Deputy Chief Finance Officer and Acting Head of Internal Audit started to attend the Departmental Management Team meetings to engage with the team, raise awareness of Internal Audit and gather information for the 2020/21 Audit Plan.</p> <p>COVID 19 has impacted with new working arrangements being set up, majority of staff now required to work from home.</p> <p>This issue needs to be progressed as new working arrangements embed.</p>	Ongoing – with a view to be fully implemented 31/3/2021	Temporary Deputy Chief Finance Officer and Acting Head of Internal Audit
2.	Review the role of the head of Internal Audit in the context of wider governance and the potential restrictions that the current arrangements may have on the	The role of Head of Internal Audit is currently under review as part of the Finance Department Restructure.	TBC	S151 Officer and Temporary Deputy Chief Finance Officer

**Bury MBC – High Level Review of Internal Audit**  
**ACTION PLAN**

		<b>Response</b>	<b>Deadline</b>	<b>Responsibility</b>
	ability of the team to impact, positively, wider control.			
3.	Develop a risk-based methodology to ensure and evidence that the Audit Plan is evidentially risk-based and delivering the right audits to deliver maximum contribution to overall control.	<p>The 2020/21 plan is partially based on the organisation's risks. The exercise proved difficult as risk registers for the organisation were found to be lacking in detail.</p> <p>The methodology for developing the audit plan is constantly under review and progress is being made to ensure the three line of defence model is introduced in the organisation and future Internal Audit Plans.</p>		Temporary Deputy Chief Finance Officer and Acting Head of Internal Audit
4.	Review the structure/available resources for Internal Audit in context of the delivery of a risk-based Plan for 2020/21. In other words determine on a risk basis the audits that the organisation needs and then review available resources against this requirement	The Structure of Internal Audit is currently under review as part of the restructure exercise across the Finance Department.	TBC	S151 Officer and Temporary Deputy Chief Finance Officer

**Bury MBC – High Level Review of Internal Audit**  
**ACTION PLAN**

		<b>Response</b>	<b>Deadline</b>	<b>Responsibility</b>
5.	To support the development of a risk-based Internal Audit Plan, undertake a detailed and evidence-based assurance mapping exercise to ensure that the right level of resource is applied to the areas of most significant risk.	An allocation of time has been included in the 2020/21 annual audit plan to commence an assurance mapping exercise across the Council.	31.3.2021	Acting Head of Internal Audit
6.	Develop a process of quality assurance, review and training that enables a rigorous challenge of findings, assumptions and recommendations to ensure that all audits deliver maximum impact for the wider Council.	Agreed.	31.3.2021	Temporary Deputy Chief Finance Officer and Acting Head of Internal Audit
7.	In developing the 2020/21 Plan for May this year, consider an appropriate allocation of days for consultancy activity to support the Council's achievement of its wider corporate objectives.	The annual plan for 2020/21 includes a provision for consultancy. An allocation of 20 days has been provided.	Actioned	Acting Head of Internal Audit
8.	Review the structure, narrative and impact of Audit reports including the requirement/desire to include all low-level recommendations as formal recommendations.	The audit report format has been reviewed and changed. The narrative associated with recommendations has been changed, (Fundamental,	Actioned	Temporary Deputy Chief Finance Officer and Acting Head of

**Bury MBC – High Level Review of Internal Audit**  
**ACTION PLAN**

		<b>Response</b>	<b>Deadline</b>	<b>Responsibility</b>
		Significant and Merits Attention) and it is proposed that only fundamental and significant recommendations are followed up to ensure that these have been implemented.		Internal Audit
9.	<p>The Internal Audit service has a commercial, contractual arrangement with two Council owned companies. In delivering this service, the team need to consider its own commerciality. It needs to be clear on cost per unit, cost per day, delivery within budget and cost/process for the commissioning of additional days.</p> <p>It should ensure that value for money is demonstrable on behalf of the companies and there should be clear separation between the contracted work from the companies and the need to deliver assurance on behalf of the client, the Council.</p>	Agreed. The current arrangements will be reviewed.	31.3.2021	Temporary Deputy Chief Finance Officer and Acting Head of Internal Audit

**Bury MBC – High Level Review of Internal Audit**  
**ACTION PLAN**

		<b>Response</b>	<b>Deadline</b>	<b>Responsibility</b>
10.	In reviewing its key performance indicators, it is suggested that the following indicators should be retained or developed as part of this review: • Elapsed time – this is start and finish time of the audit assignment overall and reflects the value of an audit being completed within an appropriate timescale. • Implementation of recommendations – although the implementation of recommendations is not the responsibility of Internal Audit, this measure is more reflective of the impact of Internal Audit on the control environment, the quality of its recommendations and highlights where managers have failed to implement. It also links into our suggestion of the review of the 'follow up' of recommendations • Plan delivery – a measure of progress that enables regular discussion about factors such as resourcing that impact on the delivery of Plan • Delivery within	<p>The information for KPI's as recommended is currently collated within the Audit Section and KPI's have been regularly reported to Audit Committee, although it is acknowledged that the targets for the KPI's have not been reviewed for a number of years and it is an areas to be reviewed.</p> <p>KPI's, and the targets set will be reviewed and compared to those collected by other Council's in the Greater Manchester region. If necessary the PI's calculated will be changed to reflect the current approach in other Council's.</p>	31.3.2021	Acting Head of Internal Audit

**Bury MBC – High Level Review of Internal Audit**  
**ACTION PLAN**

		<b>Response</b>	<b>Deadline</b>	<b>Responsibility</b>
	planned days – a measure that highlights the ability to plan and deliver the time allocation for audits appropriately • Draft to Final Report turnaround – again not all in the gift of Internal Audit but a useful measure to highlight where any 'sign-off' blocks exist and that the Final report is the key audit 'product'.			
11.	Ensure that the Head of Internal Audit is supported to provide a true and fair annual report and opinion that is supported by clear actions and accountability.	An annual report for 2019/20 has been produced by the Audit Manager and this was reviewed and supported by the Temporary Deputy Director of Finance and the Director of Finance (S151) officer.	Complete for 2019/20, however acknowledge continually review for the 2020/21 audit year.	S151 Officer and Temporary Deputy Chief Finance Officer
12.	Review the 2016 review action plan to ensure that actions have been completed.  Commence preparations for the 2021 review by completing the Local Government Application Note self-assessment.	The 2016 action plan will be reviewed to identify recommendations made and any resulting action taken.  The self -assessment against the LGAN and PSIAS will be undertaken.	31.10.20  26.2.2021	Acting Head of Internal Audit

**Bury MBC – High Level Review of Internal Audit**  
**ACTION PLAN**

		<b>Response</b>	<b>Deadline</b>	<b>Responsibility</b>
13.	Consider the development of an officer/Member governance awareness and development programme to ensure that mutual roles and responsibilities are understood and delivered in a way that supports the wider governance framework.	Recommendation agreed	31.3.2021	Temporary Deputy Chief Finance Officer and Acting Head of Internal Audit
14.	In order to inform the annual appraisal of the Chief Audit Executive a formal process should be established to obtain appropriate feedback from the Audit Committee Chair.	Recommendation agreed	31.3.2021	S151 Officer and Temporary Deputy Chief Finance Officer

This page is intentionally left blank

# REPORT FOR DECISION



<b>DECISION OF:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>30 July 2020</b>
<b>SUBJECT:</b>	<b>Risk Management &amp; Maturity</b>
<b>REPORT FROM:</b>	<b>Lynne Ridsdale (Deputy Chief Executive)</b>
<b>CONTACT OFFICER:</b>	<b>Lisa Kitto</b>
<b>TYPE OF DECISION:</b>	<b>COUNCIL OR CABINET (NON KEY DECISION)</b>
<b>FREEDOM OF INFORMATION/STATUS:</b>	This paper is within the public domain
<b>SUMMARY:</b>	<p>Earlier this year Audit Committee requested oversight of the Councils' Corporate risk registers.</p> <p>This report provides 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.</p>
<b>OPTIONS &amp; RECOMMENDED OPTION</b>	<ol style="list-style-type: none"> <li>1. To note the format of the corporate risk register</li> <li>2. To challenge the content and scoring of the current corporate risks</li> <li>3. To note the further work to develop an integrated approach to risk register and issues management</li> <li>4. To endorse the action plan for improving the Council's risk maturity level</li> <li>5. To agree an appropriate reporting schedule for progress updates</li> </ol>
<b>IMPLICATIONS:</b>	
<b>Corporate Aims/Policy Framework:</b>	<p>Do the proposals accord with the Policy Framework?</p> <p>Yes No</p>

<b>Statement by the S151 Officer: Financial Implications and Risk Considerations:</b>	Risk Management forms part of the Council's internal control and corporate governance arrangements. Effective risk management can limit the Council's exposure to economic and other financial pressures. The new, more comprehensive and action-oriented approach to risk management is welcomed.	
<b>Equality/Diversity implications:</b>	No direct implications	
<b>Considered by Monitoring Officer:</b>	Yes	Comments
<b>Wards Affected:</b>	All	
<b>Scrutiny Interest:</b>	None	

**TRACKING/PROCESS****DIRECTOR:**

Joint Executive Team/CCMT	Cabinet Member/Chair Briefed	Ward Members (if necessary)	Partners
Scrutiny Committee	Other Committee	Council	Comms

## 1.0 BACKGROUND

- 1.1 The role of Audit Committees within local authorities and other public bodies have three specific responsibilities in relation to risk management, they are:
- To provide assurance and oversight for the Authority's risk management arrangements
  - To keep up to date with the Authority's risk profile, which may include reviewing the arrangements to coordinate and lead risk management
  - To monitor and challenge the effectiveness of risk management arrangements.
- 1.2 Since the last Audit Committee meeting on 2 June, 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.
- 1.3 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 attached document represents the new format corporate risk register and the Committee's views are welcomed. However, it should be stressed that this register is the first output in a wider review of all corporate, directorate and operational risk registers. In addition to the registers themselves, 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.
- 1.4 Aside from the format of the register, Members will observe that a smaller number of risks appear than previously as new definitions for corporate, directorate and operational risks are being adopted. Those definitions are broadly:
- **Corporate** – risks that impact the achievement of outcomes or operational practice across the entire organisation and require a whole Council response
  - **Directorate** – risks that may have a wider organisational impact but are largely impacting and requiring a response from one directorate area
  - **Service** – risks that impact and are managed within a discreet service area

Applying this revised criteria has enabled some previous corporate risks such as those associated with email, CRM and telephony systems to be moved to a directorate level – they have a council-wide impact but are largely managed within one directorate area.

- 1.5 The new risk template has been designed on the basis of **risk – cause and effect – action** and is intended to support risk awareness, understanding and the requirement for and impact of mitigating actions.
- 1.6 Risks are scored on the basis of: the 'likelihood' of a risk becoming an issue and the 'impact' that the issue would have on the organisation. The scoring matrix has been kept simple with each element scored on a 1 to 5 scale and the risk score is calculated by multiplying both figures together. The 5x5 matrix aligns with that of the CCG. The template considers:  
  
**Gross score** – what would the risk score be with no controls or mitigating actions in place.  
  
**Current score** – what is the impact of current controls on the gross score.  
  
**Target score** – what is the acceptable level of risk (risk appetite) that the Council both aspires to and has actions in place to achieve.
- 1.7 Each risk has a clearly identified risk owner/accountable officer. That is not to say that each individual named officer needs to undertake any of the identified actions, more that they will be held responsible for overseeing them and ensuring that they are completed.
- 1.8 The template can be made more sophisticated with, for example, the segmentation of impact into reputational, political, financial and operational. However, it is important that the Council recognises it is on a risk maturity journey and using a simplified version of it to support the development of risk management within the organisation is more appropriate at this time.
- 1.9 Risks that crystallise and need managing will form part of an 'Issues Management' process and will be removed from the risk register. As an example COVID-19 is now being managed as an issue with an action plan around it although the risk of a second wave is a new risk that has been added to the risk register. This process needs to be integrated in a more formal way with the risk registers so that there is oversight at all times of potential future risks and those that are actively being managed. An approach to do this will be undertaken at the same time as the risk review outlined in the report.
- 1.10 In addition to a review of existing risks registers, the Council is also undertaking a review of its overall risk maturity and its associated approach to risk management. It is now some time since the last major review of risk management within the Council, a time during which the organisation has changed and developed significantly, and new risks have emerged. It is now appropriate and timely that the Council's approach, understanding and management of risk is assessed using the 'Risk Maturity Profile'. Risk maturity is defined as follows:

Risk naïve	No formal approach developed for risk management.
Risk aware	Scattered silo based approach to risk management using standalone processes, reactive approach.
Risk defined	Risk appetite is defined. (The amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time.) Strategy and policies in place and communicated. Some understanding and application but passive acceptance and compliance with reliance on risk registers.
Risk managed	Enterprise approach to risk management developed and communicated. Risk embedded in key processes. Active engagement and risk based decision making.
Risk enabled	Risk management and internal controls fully embedded into the operations. Regular review and improvement of risk processes, fully committed to risk management and confident risk taking.

- 1.11 The current perception is that the Council is 'risk aware' but has no hard evidence to confirm this. As part of the review of risk management approach and procedures a risk maturity questionnaire will be issued to senior managers to gauge their awareness and understanding of risk and how it supports effective governance and decision-making. The questionnaire will be issued late Summer once the review of directorate and service risk registers is complete and will inform both risk training and organisational development planning. The questionnaire itself is attached at Appendix B for information.
- 1.12 The risk review will be delivered in a structured way and will follow the indicative timetable below:

Directorate and service risk register review and formatting into new template	August 2020
Revised suite of risk registers presented to Audit Committee	September 2020
Issue Risk Maturity questionnaire	September 2020
Analysis of results and reporting	October 2020
Confirm risk responsibilities and accountabilities	October 2020
Confirm risk maturity and detailed improvement plan	October 2020
Design risk training and development based upon the needs identified through maturity assessment	November 2020
Provide comprehensive assessment and overall progress report for reporting to Audit Committee.	December 2020

## **2.0 ISSUES**

- 2.1 A review of current risk registers, content and actions has identified a need for change. Effective risk management relies upon risk awareness and understanding, clear responsibilities and accountabilities and a process that supports the identification, raising and mitigation of risk – risk maturity. Risk maturity is both cultural and time dependent. A clear plan for the development of risk management as a core business tool, within the Council, is now in place.
- 2.2 It is proposed that Audit Committee is updated on a quarterly basis on the progress of the risk management improvement plan and on the corporate and directorate risks. Service risks would be reported on an exception basis.
- 2.3 Risk registers are by nature living documents. New risks emerge, existing risks are no longer risks and controls and/or actions change both the exposure to risk and the risk register scoring. Reporting to Committee will identify significant changes from previous versions.

## **3.0 CONCLUSION**

- 3.3 The Council is improving its approach to risk management and reporting and is seeking the support, challenge and insight of the Committee in undertaking its plan of action.

---

### **List of Background Papers:-**

Corporate Risk Register v.2 (Excel sheet attached)

Proposed Risk Maturity Questionnaire

### **Contact Details:-**

Lynne Ridsdale – l.ridsdale@bury.gov.uk

Corporate Risk Register

Risk Register Completed:  
Date of Revision:



Priority / Objective	Risk No.	Owner	Risk	Cause	Effect	Gross score			Current Mitigating Controls	Current score			Planned Risk Actions	Target score		
						Likelihood	Impact	Total Score = L*I		Likelihood	Impact	Total Score = L*I		Likelihood	Impact	Total Score = L*I
Health & Well-being	1	GL	Covid-19 Global Pandemic Second Wave	Social Distancing and other preventative measures not used or not effective	New lockdown measures, potentially localised	5	5	25	<ul style="list-style-type: none"><li>Local Outbreak Plan</li><li>Partnership working with CCG, AGMA</li><li>Experience and planning for first outbreak and lockdown</li><li>Lessons learned evaluation</li><li>Regular liaison with Public Health England</li><li>Social Distancing including face covering guidance</li><li>Business Continuity Planning/Review/Update</li></ul>	4	5	20	<ul style="list-style-type: none"><li>Review current mitigating controls</li><li>Follow PHE guidance</li><li>Keep under review</li></ul>	3	5	15
				Increase in localised cases due to mass gatherings	Support/response planning commenced for most vulnerable  Significant pressure on Public Health and NHS  Excess deaths											
	2	GL	Council liability for the death of an employee or member of the public	Failure to implement appropriate health & safety measures	Senior officers held accountable and potentially imprisoned	4	5	20	<ul style="list-style-type: none"><li>Health &amp; Safety Policies</li><li>Regular maintenance and inspection scheduling</li></ul>	4	4	16	<ul style="list-style-type: none"><li>Review of current facilities management procedures in light of recent Town Hall maintenance issues</li><li>Regular maintenance and inspection scheduling</li></ul>	3	4	12
				Failure to manage effectively manage	Significant reputational damage  Financial redress											
Value for Money	3	MW	Section 151 Officer compelled to issue a Section 114 Notice	Failure to set a balanced budget	Moratorium on non-essential spend	4	5	20	<ul style="list-style-type: none"><li>Constitution/Schemes of Delegation</li><li>Financial Management and reporting and refresh MTFS</li><li>Internal and External Audit</li></ul>	3	5	15	<ul style="list-style-type: none"><li>Review current mitigating controls</li><li>Keep under review</li></ul>	3	5	15
				Poor financial management and governance	Potential government intervention											
				Running down reserves												
	4	LR	Council forced to step in/rescue one of its Companies (eg Six Town Housing)	Commercial Failure	Council takes services back 'in-house'	4	4	16	<ul style="list-style-type: none"><li>Appropriate management and operational structures</li><li>Financial Management and operational reporting</li><li>Internal and External Audit</li></ul>	2	4	8	<ul style="list-style-type: none"><li>Regular review of KPIs and Financial Performance</li><li>Internal Audit Reviews</li></ul>	2	3	6
Health & Well-being	5	KD	Council implicated in the death or serious injury of a child or vulnerable adult	Safeguarding measures not in place or not observed	Individuals held accountable and/or prosecuted  Significant reputational damage  Government intervention	5	5	25	<ul style="list-style-type: none"><li>Appropriate safeguarding measures, processes and procedures</li><li>Regular monitoring and supervision</li><li>Unannounced monitoring and inspection</li></ul>	4	5	20	<ul style="list-style-type: none"><li>Regular monitoring and supervision</li><li>Mock inspection</li></ul>	3	5	15
Efficiency & Effectiveness	6	LR	Serious data breach	Failure to follow GDPR provisions	Individuals' identity/location compromised	5	5	25	<ul style="list-style-type: none"><li>GDPR and Data Management Policy</li></ul>	4	4	16	<ul style="list-style-type: none"><li>Regular training and development</li></ul>	3	3	9

					Reputational Damage				● Document retention and disposal policy				● Regular review and updates to policies and procedures			
					ICO Review and/or fine				● GDPR/Data Training & Development				● Internal Audit review subject to risk assessment			
				Failure to follow Council's own data management policies					● Fair Use Notices							
				Negligent or unlawful use fo data												
Legal and Governance	7	JW	Monitoring Officer compelled to issue governance notice	Failure to comply with legislative requirements and acting unlawfully	Reputational Damage	4	5	20	Council's rules and procedures observed Effective involvement of the Monitoring Officer Council Constitution Defined Scheme of Delegation and Codes of Practice Major decisions approved by members	4	4	16	Proper training and development Regular updates of policies and procedures	3	4	12
	8	JW	Serious legal findings against council	Court, tribunal or inquiry decisions resulting in significant adverse outcomes	Reputational Damage	4	5	20		4	4	16		3	4	12
Investment in Bury	9	PL	No Deal Brexit	Failure of the UK Government to negotiate an acceptable trade agreement with the EU	Economic Uncertainty Failure to attract inward investment Economic targets for Bury missed Timescales for recovery lengthened	3	4	12	● EU withdrawal Bill passed  ● Monitoring of negotiation of future trade agreement developments with the EU	3	2	6	● Regular review of progress and respond accordingly	2	2	4

Key:

GL	Geoff Little
	Mike
MW	Woodhead
	Lynne
LR	Ridsdale
KD	Karen Dolton
	Janet
JW	Witkowski
PL	Paul Lakin

# Audit Progress Report

Bury Metropolitan Borough Council

July 2020





## CONTENTS

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

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

# 1. AUDIT PROGRESS

## Purpose of this report

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

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

Since the Committee last met the impact of the Covid-19 pandemic has changed our environment in a way not seen before. 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.

On the 17 March 2020, following Government announcements the following evening, Mazars made the decision to close its offices and require all staff to work from home. The challenges this has brought are significant and still being worked through.

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. 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.

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. 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.

## Responding to the changes – working with the Council

We are committed to supporting the Council as best we can throughout the current period, recognising first and foremost the need to be flexible as the current environment changes, but also the significant pressures on the Council's finance team. We have continued to maintain open communication throughout the audit period.

We are able to carry out the audit remotely and have put in place arrangements to allow this, such as routine regular update meetings, use of our Huddle file sharing site for secure transfer of data and keeping query logs. The key difference is we will not, until further notice, have a physical on-site presence. We will however maintain communication via regular webex and video calls.

# 1. AUDIT PROGRESS

## Audit progress

With regards to our audit, since the last Committee meeting we have:

- Revised our audit resource plans to ensure that we deliver the external audit of the financial statements in line with the Council's revised plans. Following changes to the local government financial reporting announced by MHCLG in response to the Covid19 pandemic, the Council intends to provide draft accounts for audit in August. Our revised resource plans will ensure that we complete our audit of the financial statements before the end of November in line with MHCLG's timetable.
- The closedown process has been understandably slower than would ordinarily be the case, with the challenges of the Council's finance team all working remotely, and having additional workload in addition to closing down the accounts. Our experience from elsewhere since March indicate that the audit process is similarly challenging. We will keep the Council apprised of our progress once the audit has commenced.
- Identified specific issues which the Council will need to consider, relating to specific financial reporting challenges in the current time, particularly reflecting information and views from our national networks with MHCLG, NAO, CIPFA, and other audit suppliers. For example:
  - The significant impact of the pandemic on the financial markets means there are likely to be significant impacts on the valuation of financial pension fund assets. We suggested the Council should consider, given the circumstances, obtaining a second actuarial report from the GM Pension Fund actuary, in order that the report includes the actual return on assets for both the Council and its group subsidiary components. The Council received its updated actuarial report in June 2020.
  - There is increased uncertainty around the valuation of the Council's Property, Plant & Equipment, particularly where that valuation is based on market conditions. The Royal Institute of Chartered Surveyors (RICS) have provided guidance to their members on this point. Consequently, we expect valuers will be actively considering the need for their valuation reports to include a reference to a material uncertainty in their valuations, reflecting the uncertainty in the market conditions that existed at 31 March 2020.
  - There is increased potential for the Council's other financial assets, for example its investments in companies, or its outstanding debtors, to require impairment, reflecting an increased likelihood of expected losses in the current economic climate.

There are no additional matters to report to the Audit Committee relating to our 2019/20 external audit at this time.

## 2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
<b>Mazars</b>			
1	<b>Mazars' response to the Brydon Review</b>	Mazars' response to the latest review into the auditing profession which was published in December 2019.	8
2	<b>Annual Transparency Report</b>	Sets out the steps we take to enhance the quality of our audit work and ensure that quality is consistent across the firm.	8
<b>Public Sector Audit Appointments</b>			
3	<b>Publication of 2020/21 scale of audit fees</b>	PSAA has written to all Councils setting out the next year's external audit fees	9
<b>National Audit Office</b>			
4	<b>New Code of Audit Practice 2020/21</b>	Publication of the Code of Practice that prescribes the focus of the external audit and auditor reporting for five years from 2020/21	10
5	<b>Round-up for Audit Committees</b>	Updated 'round-up' of resources for Audit Committees	10
6	<b>Local authority investment in commercial property</b>	Report on the developments of LA investments in commercial property	10
7	<b>Managing PFI assets and services as contracts end</b>	Information on managing PFI contracts as they come to an end	11
<b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b>			
8	<b>Local Government Financial Resilience index</b>	Online data tool which measures local authorities against a range of indicators to assess their level of resilience.	12
9	<b>Financial Management Code</b>	Guidance for good and sustainable financial management in local authorities.	12
10	<b>Prudential Property Investment</b>	Guidance on prudent investments in commercial properties.	13
11	<b>IFRS9 Financial Instruments: A guide for Local Authority practitioners</b>	Updated guidance to assist Councils to comply with the requirements of IFRS9	13

## 2. NATIONAL PUBLICATIONS

	Publication/update	Key points	Page
<b>Chartered Institute of Public Finance and Accountancy (CIPFA) (continued)</b>			
12	<b>Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for 2019/20 Accounts</b>	Guidance notes to assist Councils to comply with the Code of Practice in preparing the 2019/20 financial statements	14
13	<b>IFRS 16 Leases: An Early Guide for Local Authority Practitioners</b>	Guidance to assist the preparations for the 2020/21 application of IFRS16	15
<b>Ministry of Housing, Communities &amp; Local Government (MHCLG)</b>			
14	<b>Final local government finance settlement: England, 2020 to 2021</b>	Announcement of the finance settlement for 2020/21	16
15	<b>Northamptonshire County Council: fourth commissioners' report</b>	Report from the appointed commissioner	16
16	<b>Coronavirus support package for Councils</b>	Press release announcing the latest government support	16
<b>Other</b>			
17	<b>Statement on Covid-19, Financial Reporting Council and other Regulators</b>	Statement on the impact of the Covid-19 pandemic on accounting, reporting and auditing	17

## 2. NATIONAL PUBLICATIONS – MAZARS

### 1. Mazars' response to the Brydon Review, Mazars, December 2019

The Brydon Review is one of four key reviews into the scope and quality of audit, namely:

- Competition and Market's Authority (CMA): resilience and competition in the audit market;
- Kingman's Review (review of the Financial Reporting Council and regulatory oversight);
- The Brydon Review (tone and aspirations for the future of the industry); and
- The Redmond Review (quality of local authority financial reporting and external audit).

The Brydon Review contains various recommendations and essentially recommends a major overhaul of audit which would see the creation of a separate 'corporate auditing profession', greater focus on fraud detection during audits, and the replacement of the 'true and fair' concept, with a greater focus on going concern.

Mazars' response to the latest Brydon Review report issued in December 2019 is detailed per the link below.

<https://www.mazars.co.uk/Home/News-Events/Latest-news/Mazars-response-to-the-Brydon-report>

#### Link to the Brydon Review

Published in December 2019, focusing on the quality and effectiveness of audit.

<https://www.gov.uk/government/publications/the-quality-and-effectiveness-of-audit-independent-review>

#### Link to the Kingman's Review

Published in December 2018, this review recommended the replacement of the Financial Reporting Council with a new independent statutory regulator, accountable to Parliament. The new regulator will be called the Audit, Reporting and Governance Authority (ARGA).

<https://www.gov.uk/government/news/independent-review-of-the-financial-reporting-council-frc-launches-report>

#### Link to the Redmond Review

At the time of writing this report, the outcome from the Redmond Review has not been published.

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

### 2. Annual Transparency Report, Mazars, December 2019

Mazars produces an annual transparency report, setting out the steps we take to enhance the quality of our audit work and ensure that quality is consistent across the firm. The report includes:

- Public Interest Committee Report;
- UK Governance Council Report;
- Inspiring Stakeholder Confidence in Audit Quality (including quality monitoring and audit quality indicators);
- Our risks; and
- Structure, Leadership and Governance.

<https://www.mazars.co.uk/Home/About-us/Corporate-publications/Transparency-reports/Mazars-UK-Transparency-Report-2018-2019>

## 2. NATIONAL PUBLICATIONS – PSAA

### 3. PSAA 2020/21 scale of audit fees, March 2020

PSAA has published the fee scale for the audit of the 2020/21 accounts of opted-in principal local government and police bodies, and wrote to those bodies to notify them of the fee.

The 2020/21 fee scale document sets out the scale of fees for the audit work to be undertaken by appointed auditors in respect of the 2020/21 financial statements at relevant principal authorities that have opted into PSAA's national auditor appointment arrangements.

PSAA describes in their letter that local audit and audit more widely is subject to a great deal of turbulence with significant pressures on fees. In their letter they conclude that

“we do not expect the final audit fee to remain at that level for most if not all bodies because of a variety of change factors, the impact of which cannot be accurately or reliably estimated at this stage. The impact of these changes is likely to vary between bodies depending on local circumstances, and information to determine that impact with any certainty is not yet available. Our view is that it would also be inappropriate to apply a standard increase to all authorities given the differing impact of these changes between bodies. As the impact of these changes is understood, fee variations will need to be identified and agreed reflecting the impact on each audit.”

The published scale fee for the Council's 2020/21 audit is unchanged from 2019/20 at £104,428.

<https://www.psaa.co.uk/audit-fees/2020-21-audit-fee-scale/>

## 2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

### 4. New Code of Audit Practice 2020/21, February 2020

The NAO have published their final draft of the Code following the consultation process. The Code has now been laid before Parliament and, subject to Parliamentary approval, will come into force on 1 April 2020. The new Code will apply from audits of local bodies' 2020/21 financial statements onwards.

Accompanying the Code is a document that sets out the issues the NAO considered as a result of the feedback to Stage 2 of the consultation on the exposure draft of the Code, and highlights the key changes made to the text of the final draft of the Code.

[https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code\\_of\\_audit\\_practice\\_2020.pdf](https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf)

[https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code\\_of\\_audit\\_practice-consultation\\_response.pdf](https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice-consultation_response.pdf)

### 5. Round-up for Audit Committees, November 2019

This interactive round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and/or sectors.

This round-up is designed to make it easy for Audit Committees, Boards and other users to find the NAO resources most helpful for the strategic management of public sector organisations. It includes an introduction by Gareth Davies, Comptroller and Auditor General, and draws particular attention to publications most useful for governance, oversight and risk management. It is published each autumn and spring, covering NAO publications over the previous six months.

<https://www.nao.org.uk/report/round-up-for-audit-committees/>

### 6. Local authority investment in commercial property, February 2020

In response to substantial falls in funding since 2010/11, local authorities have made reductions in revenue spending on services. Increasingly, authorities have also sought to offset funding reductions by generating new income through a range of strategies. A key component within these responses has been a rapid expansion in the acquisition of commercial property, often funded by borrowing.

The NAO estimates that authorities spent £6.6 billion on purchasing commercial property from 2016/17 to 2018/19 – 14.4 times more than in the preceding three years. This includes an estimated £3.1 billion on acquiring offices; £2.3 billion on retail property, including £759 million on shopping centres or units within them and £957 million on industrial property. The majority of the £6.6 billion was spent by only 49 local authorities, with those authorities accounting for 80% of the spend. Many authorities have borrowed to finance these purchases. The NAO estimates that between 38% and 91% of spending on these purchases across the sector was financed by borrowing in this period.

The report concludes that although there is evidence of authorities mitigating these risks, such as by recruiting specialist staff, undertaking due diligence on their purchases, drawing on external expertise and establishing contingency funds, there was room for improvement in the governance and risk mitigation arrangements of some authorities.

The Ministry of Housing, Communities and Local Government (MHCLG) is responsible for the framework of statutory codes and guidance that set the parameters for local authority borrowing and capital spending. MHCLG has made changes to aspects of the framework in response to the recent increased investment in commercial property. Recent activity has raised questions about the extent to which MHCLG can rely on the present framework to support authorities to make decisions which demonstrate good value for money.

The NAO recommends that MHCLG improves the relevance and quality of data and analysis it has on authorities' acquisition of commercial property to understand more fully any risks and to provide greater assurance that authorities are complying with the framework. It also recommends that the Ministry should review whether the current framework is still achieving its intended aims.

<https://www.nao.org.uk/report/local-authority-investment-in-commercial-property/>

## 2. NATIONAL PUBLICATIONS – NATIONAL AUDIT OFFICE

### 7. Managing PFI assets and services as contracts end, June 2020

The NAO have published a report providing information on managing PFI contracts as they come to an end and considering whether government is making appropriate preparations to manage the expiry of PFI contracts. There are currently over 700 operational PFI contracts in place in the UK with a capital value of £57 billion. This study focusses on the 571 English PFI contracts, excluding those for which devolved governments are responsible.

The purpose of the report is to draw out the challenges and best practice that can most benefit those managing PFI contracts coming to an end. NAO identify illustrative examples from specific PFI contracts, and provide helpful prompts to draw the reader's attention to some of the potential risk's authorities may face, enabling preventative steps to be considered.

In the report, NAO examines:

- the background to PFI, the contracts which are due to expire, and the roles and responsibilities of key stakeholders;
- the skills and capabilities of authorities for the expiry process and aspects of day-to-day management of the contracts relevant for the preparation process; and
- the preparation for and delivery of contract expiry.

<https://www.nao.org.uk/report/managing-pfi-assets-and-services-as-contracts-end/>

## 2. NATIONAL PUBLICATIONS – CIPFA

### 8. Local Government Financial Resilience index, CIPFA, December 2019

The resilience index is an online data tool which measures local authorities against a range of indicators to assess their level of resilience against financial shocks and to support financial decision making. Upper tier authorities are judged against nine indicators including social care.

The indicators measured include:

- levels of reserves;
- change in reserves;
- reserves sustainability;
- interest payable/net revenue expenditure;
- gross external debt;
- social care ratio;
- fees and charges to service expenditure ratio;
- council tax requirement/net expenditure ratio; and
- growth above baseline.

The tool allows for year on year comparisons of each authority's performance, as well as comparisons with similar and neighbouring authorities. Trend analysis is also available for some of the indicators outlined above.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-launches-local-government-financial-resilience-index>

### 9. Financial Management Code, CIPFA, October 2019

Strong financial management is an essential part of ensuring public sector finances are sustainable. The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and aims to provide assurance that they are managing resources effectively.

It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the FM Code with help strengthen the framework that surrounds financial decision making.

The FM Code built on elements of other CIPFA codes during its development and its structure and applicability will be familiar to users of publications such as The Prudential Code for Capital Finance, Treasury Management in the Public Sector Code of Practice and Code of Practice on Local Authority Accounting in the United Kingdom.

The Code applies to all local authorities, including police, fire and other authorities.

By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements in their jurisdictions.

The first full year of compliance will be 2021/22. This reflects the recognition that organisations will need time to reflect on the contents of the Code and can use 2020/21 to demonstrate how they are working towards compliance.

<https://www.cipfa.org/policy-and-guidance/publications/f/financial-management-code>

## 2. NATIONAL PUBLICATIONS – CIPFA

### 10. Prudential Property Investment, CIPFA, November 2019

Increasingly there has been a move towards investments in commercial properties, funded by borrowing, with the key driver of this activity appearing to be the generation of revenue. This publication provides guidance on making the assessments needed to ensure that such acquisitions are prudent and on the risks local authorities must manage when acquiring property.

Statutory investment guidance from the Ministry of Housing, Communities and Local Government (MHCLG) last year set out clearly that local authorities need to consider the long-term sustainability risk implicit in becoming too dependent on commercial income, or in taking out too much debt relative to net service expenditure.

The increased scale of investment in property was recognised by revisions to CIPFA's Prudential Code for Capital Finance and the Treasury Management Code in 2017, but the growing amounts being borrowed for such a purpose are putting a strain on the creditability of the Prudential Framework and reinforce the need to ensure that such acquisitions are affordable, prudent and sustainable.

In addition to the core issue of borrowing in advance of need, which the Prudential Code has very clear provisions on, this publication provides guidance on the risk perspective to the practical assessment of prudence and affordability. Those risks could be very difficult to manage. Even when these issues are managed and there is reliance on investment income, a potential failure or a downturn of the property market may have a direct impact upon local services.

This publication considers such issues and the actions local authorities would need to take to mitigate against such risks.

<https://www.cipfa.org/policy-and-guidance/publications/p/prudential-property-investment>

### 11. IFRS 9 Financial Instruments: A Guide for Local Authority Practitioners, CIPFA, December 2019

The Code of Practice on Local Authority Accounting in the UK adopted IFRS 9 Financial Instruments in its 2018/19 edition, with an application date of 1 April 2018.

In order to allow practitioners to prepare in good time, CIPFA issued guidance in 2017 in advance of the 2018/19 Code being published, based on a companion publication to the 2017/18 Code: Forthcoming Provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

This publication updates the 2017 guidance to reflect:

- provisions in the 2018/19 Code that were not included in the Forthcoming Provisions publication
- changes to the 2019/20 Code resulting from amendments to IFRS 9
- experience of implementing IFRS 9 in the 2018/19 annual accounts.

This guidance provides comprehensive coverage of the requirements of the Code, including recognition, measurement, treatment of gains and losses, derecognition and presentation and disclosure in the financial statements. It also covers statutory reversals and the continuing impact of transitional provisions.

<https://www.cipfa.org/policy-and-guidance/publications/i/ifrs-9-financial-instruments-a-guide-for-local-authority-practitioners>

## 2. NATIONAL PUBLICATIONS – CIPFA

### 12. Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for 2019/20 Accounts, CIPFA, November 2019

The guidance notes support Councils in dealing practically with the preparation of the year-end financial statements and reports that accompany them. This version provides detailed guidance on the key accounting changes introduced by the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and includes:

- Updates to reflect 2018 IASB Conceptual Framework.
- Guidance on the Code's adoption of the amendments to the financial instruments standard (IFRS 9 Financial Instruments) relating to prepayment features with negative compensation.
- Updates to reflect the Code clarifications relating to contracts with lender option borrower option clauses.
- New guidance on the group accounts scope clarification for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (introduced by the Annual Improvements to IFRSs 2014 to 2016 Cycle).
- Explanation of the Code approach to drafting amendments (including commentary on when the Code adapts or interprets IFRS).
- Removal of references to Carbon Reduction Commitment Scheme following the Scheme closure.
- A new section on the accounting treatment for the apprenticeship levy.
- Updates for the new voluntary transfers presentation (for Scottish local authorities only) in the movement in reserves statement and expenditure and funding analysis. This includes the treatment within the reserves.

Example financial statements have been updated to reflect the changes described above.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-guidance-notes-for-201920-accounts-online>

## 2. NATIONAL PUBLICATIONS – CIPFA

### 13. IFRS 16 Leases: An Early Guide for Local Authority Practitioners, CIPFA, December 2019

Although changes will not have an effect until the 2021/22 financial statements, CIPFA/LASAAC consulted in the summer of 2018 on amendments to the Code of Practice on Local Authority Accounting for IFRS 16 Leases. The Standard is expected to have a potentially significant practical and financial effect for local authorities, and it was considered that early notice of the technical requirements was advisable.

It will be of wide interest because of the prevalence of leasing in local government and the risk that the changes could have a budgetary impact if not managed effectively.

This guidance provides comprehensive coverage of the proposed requirements for lessees, including the accounting definition of a lease, recognition of assets and liabilities, measurement, derecognition and presentation, and disclosure in the financial statements. Although there have not been significant changes to the requirements for lessors, the guidance includes extensive commentary of this area.

The guidance covers in particular:

- identifying arrangements that meet the accounting definition of a lease
- determining the term of a lease where there are options to extend or terminate
- for lessees:
  - recognising right-of-use assets and lease liabilities, and their initial and subsequent measurement
  - reassessment of lease liabilities and treatment of lease modifications
- for lessors, distinguishing between finance and operating leases and accounting accordingly
- dealing with sale and leaseback transactions
- presenting lease transactions and balances in the financial statements
- disclosure of information about leases in the notes to the accounts
- harmonising with statutory accounting requirements
- the mechanics of making the transition in the 2021/22 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).

<https://www.cipfa.org/policy-and-guidance/publications//ifrs-16-leases-an-early-guide-for-local-authority-practitioners>

## 2. NATIONAL PUBLICATIONS – MHCLG

### 14. Final local government finance settlement: England, 2020 to 2021, February 2020

Following the provisional settlement, the Ministry of Housing, Communities and Local Government published the collection of documents that comprise the final settlement for Local Government.

<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2020-to-2021>

### 15. Northamptonshire County Council: fourth commissioners' report, January 2020

MHCLG have published the fourth commissioner's report into Northamptonshire County Council. This report sets out the progress made to stabilise the council's finances, and to strengthen the council's scrutiny and governance processes. The commissioner's work continues to support the setting up of the 2 new shadow authorities from May 2020.

<https://www.gov.uk/government/publications/northamptonshire-county-council-fourth-commissioners-report>

### 16. Coronavirus support package for Councils, July 2020

On 2<sup>nd</sup> July 2020 MHCLG announced the latest support package for Councils to respond to the challenges of the Covid-19 pandemic. The press release announced a further, unringfenced £500 million to respond to spending pressures they are facing. In addition the announcement highlighted a new scheme to reimburse lost income, whereby where Councils' losses are more than 5% of their planned income from sales, fees and charges, the government will provide cover them for 75% of the lost income. Furthermore the Local Government Secretary also announced a proposal for a phased repayment of council tax and business rates deficits over 3 years, rather than requiring complete repayment of deficits next year.

<https://www.gov.uk/government/news/comprehensive-new-funding-package-for-councils-to-help-address-coronavirus-priorities-and-cover-lost-income-during-the-pandemic>

## 2. NATIONAL PUBLICATIONS – OTHER

### 17. 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”*

The statement highlights:

- The likelihood of an increase in the number of modified audit opinions (where there are difficulties in obtaining evidence or other issues);
- Increased going concern assumption considerations and uncertainties; and
- Guidance for companies and auditors.

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

## CONTACT

Partner: Karen Murray

Mobile: 07721 234043

Email: [karen.murray@mazars.co.uk](mailto:karen.murray@mazars.co.uk)

Manager: Ian Pinches

Mobile: 07909 977987

Email: [ian.pinches@mazars.co.uk](mailto:ian.pinches@mazars.co.uk)

This page is intentionally left blank