

**Minutes of:               AUDIT COMMITTEE**

**Date of Meeting:**   17 November 2020

**Present:**               Councillor M Whitby (in the Chair)  
Councillors S Briggs, R Gold, M Hayes, D Silbiger,  
Sarah Southworth, D.Vernon, R Walker and S Wright

**Also in attendance:**   Lisa Kitto - Interim Director of Financial Transformation  
Karen Murray – Mazars  
Janet Spelzini - Acting Head of Internal Audit  
Marie Rosenthal

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

**Apologies for Absence:**

---

**AU.311       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.312       MINUTES OF THE LAST MEETING**

**Delegated decision:**

That the Minutes of the meeting held on 30 July 2020 be approved as a correct record and signed by the Chair.

**AU.313       MATTERS ARISING**

Councillor Walker referred to the Matters arising at the last meeting of the Committee and the question raised by Councillor Sarah Southworth in relation to the Empty Property Officer.

Councillor Walker asked if there had been any progress on this appointment.

Janet Spelzini reported that £40,000 had been set aside in the budget to fund this post. A report was due to be presented to the Joint Executive Team asking that the post be recruited to.

**AU.314       AUDITED STATEMENT OF ACCOUNTS 2019/2020**

The following statement was put forward by the Chair of the Audit Committee:

It is disappointing that the audit cannot be concluded within the statutory deadlines. The Council's finance service has worked extremely hard in very difficult circumstances to deliver the draft accounts within the new deadlines. At the same time they have also significantly improved the overall quality of the accounts which is a significant achievement in itself. I am pleased and heartened to hear that this is recognised by the auditors however I do not want the inability of Mazars to meet the deadline to reflect badly on either the council or the finance team. I appreciate that we are operating in difficult circumstances as a result of Covid and would like assurances that the accounts sign off will be completed for the January audit committee. Finally, I would like to express my thanks to the Council's finance team for their work in producing the draft accounts and for achieving a new standard overall which I know will hold the Council in good stead in future years.

Karen Murray representing Mazars confirmed to the Audit Committee that the delay in the work being completed was due to issues with the workload of Mazars and in no way a reflection of the finance teams within the Council.

Karen assured the Committee that the work would be completed in time for the next meeting of the Audit Committee in January 2021.

**Delegated decision:**

1. That the statement from the Chair be endorsed by the Committee.
2. That Karen be thanked for her update to the Committee
3. That the finance teams be thanked for their hard work in completing the work in relation to the Statement of Accounts.

**AU.315 QUARTER 2 INTERNAL AUDIT REPORT**

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

The conclusions drawn from the report are:

- The majority of work outstanding from the 2019/20 plan has now been completed and work on 2020/21 plan is progressing. Seventeen reports have been issued to Members since the beginning of the financial year.
- In order to ensure that effort is not duplicated, and to allow third party assessments to take place, some audits have been postponed and will if needed, be undertaken at a later date. The postponement of audits has created a contingency of days which means staff can be utilised to cover other works which were at risk of being deferred due to staff sickness absence and an unexpected level of management support being required early in the financial year.

- The recommendations made in the external review of Internal Audit are being addressed in line with the agreed action plan presented to Audit Committee in July 2020.

**Delegated decisions:**

1. The Audit Committee notes the report and the work undertaken by Internal Audit;
2. The Audit Committee seek clarification / challenge any parts of the report / audit reports which have been presented to Committee.
3. The Audit Committee endorse the changes to the audit plan which are detailed at paragraph 1.1.7 and 1.1.8.
4. The Audit Committee notes that a report will be brought to the January 2021 Committee regarding the Business Rates Grants which have been paid out in response to COVID19 (paragraph 1.1.10).

**AU.316 RISK MANAGEMENT AND MATURITY**

Lisa Kitto Interim Director of Financial Transformation explained that following a request in early 2020, the Audit Committee has oversight of the Council's Corporate Risk Register.

At its meeting on 30 July 2020 this Committee noted the revised format of the risk register and agreed the action plan for improving the risk maturity level.

As part of these regular updates, this report sets out the revised Corporate Risk Register.

The meeting of the last Audit Committee on 30 July 2020 considered the new framework around risk management following the review of the approach, structure and content of the Corporate and Directorate risk registers. One of the key developments reported to Members was to integrate its approach to risk management with its partner, the CCG, in order that the Council and the 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. However, Members were also informed that the review found that the Council's approach to risk management was perhaps not sufficiently mature at this stage to add value to a partnership approach and, further, a risk that the complexities of the new system has diluted the rigour of approach.

Therefore it was agreed that the Council manages its own specific risks, at this time, 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 Council has reviewed its suite of risk registers, which forms the basis of the updated Corporate Risk Register, which is appended to the report, and is further supported by risk registers for the Corporate Core Management Team (CCMT) and

risk registers for Finance and for the Budget. The attached risk register sets out the actions planned/ mitigations to manage the corporate risks and the risk scores, all of which are subject to quarterly review.

**Delegated decisions:**

1. That the Audit Committee notes the progress made towards improving the Council's risk maturity and the implementation of the agreed action plan.
2. That the Audit Committee notes the outcome of the review of the Corporate Risk register presented to Members on 30 July 2020, and the revised Corporate Risk Register attached to the report.

**AU.317 FINAL ANNUAL GOVERNANCE STATEMENT**

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 an Annual Governance Statement (AGS). As a consequence of the COVID-19 pandemic, the April 2020 amendment to the Accounts and Audit Regulations has altered the statutory timetable of the production and publication of the AGS alongside the Financial Statements.

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 its activities and against these principles. The AGS is included as a statement in the Council's statutory accounts.

In producing the AGS, the Council has 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.

A new style document has also been produced by the Council as part of a commitment to refresh existing practices and processes. This was presented to the Audit Committee on 30 July 2020 for consideration and review. No comments or amendments have been suggested and therefore it is proposed that the Annual Governance statement be accepted as final and be approved.

The Annual Governance Statement includes an action plan. Given that 3 months have elapsed since the draft AGS was produced an update to the action plan has been produced and this is set out at Appendix 2. It is proposed that further updates on progress against the AGS action plan be presented to all future Audit Committees for the remainder of the current financial year.

Good progress has been made against the action plan in particular relating to a new constitution, review of capital and risk management and it is anticipated that more progress will be made over the remainder of the financial year.

Some areas of weakness have been identified and the Council has agreed a programme of activity to address these issues, which are set out in the document. A review of governance arrangements is currently underway and will be reported

to the 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.

**Delegated decisions:**

1. That the Audit Committee approves the proposed final AGS, as set out in Appendix 1 and recommends that the final AGS be presented to Cabinet together with the Statutory Accounts.
2. That the Audit Committee notes the progress made towards achieving the AGS Action Plan as set out in Appendix 2.

**AU.318 REDMOND REVIEW**

It was reported that Sir Tony Redmond had been requested to undertake a review into the effectiveness of the local audit regime for local authorities and the transparency of the financial reporting regime.

This review was now complete and has reported back to the Secretary of State for Housing, Communities and Local Government.

It was reported that in total there had been 23 recommendations made which covered the following topics:

- External Audit Regulation
- Smaller Authorities Audit Regulation
- Financial Resilience of Local Authorities
- Transparency of Financial Reporting

The review identified a number of key issues with local audit including:

- An ineffective balance between price and quality with 40% of audits in 2018-19 failing to meet required reporting deadlines in part due to under-resourcing and lack of experienced staff.
- A lack of coordination and regulation of audit activity.
- Outcomes not always being effectively considered and presented to members and public
- The technical complexity of statutory accounts limiting public understanding and scrutiny.

As a result of his review Sir Tony made 23 recommendations to the Government who will now need to consider how many of the recommendations it decides to implement with associated timescales. The key recommendations are outlined below:

External Audit Regulation and Oversight:

- The creation of an Office of Local Audit Regulation (OLAR) to procure, manage and regulate external audits. Some of the regulatory

responsibilities which sit with other bodies such as the PSAA, to transfer to the new body.

- Revisions to the current fee structure for external audits to ensure adequate resources are deployed.
- Additional skills training for those involved in local audits and the amendment of statute to allow audit firms with the requisite capacity, skills and experience to bid for local audit work.
- The deadline for publication of audited local authority accounts be considered in consultation with the NHS with a view to extending the deadline from 31st July to 30th September.

### Financial Reporting

A simplified and standardised financial statement of service information and costs be made available to the public to allow comparison with the annual budget and council tax. This new statement would be prepared in addition to the statutory accounts and would be subject to audit.

- CIPFA / LASAAC to look again at the composition of the statutory accounts to see if improvements can be made to simplify their presentation and enhance their usefulness and understandability.

### Governance

- The composition of audit committees be examined to ensure they have the required knowledge and expertise. Many local authority audit committees have no independent members at all and consist entirely of Councillors.
- To demonstrate transparency and accountability, external audit would be required to submit an annual report to the first full council meeting after 30<sup>th</sup> September each year, irrespective of whether financial accounts have been certified.
- A formal requirement for statutory officers (Chief Executive, Monitoring Officer and Section 151 Officer) to meet at least annually with the Key Audit Partner.

### Financial Resilience and Sustainability

- The current framework for seeking assurance on financial sustainability is reviewed by the MHCLG to help address the gap between stakeholder expectations and what the auditor is required to do.
- The sharing of key concerns relating to service and financial viability, between local auditors and inspectorates, prior to completion of the external auditors report.
- In addition, an update to the NAO's Code of Audit Practice that will be applicable from 2020-21 will require auditors to provide a narrative statement on the arrangements an authority has in place to secure value for money.

Assuming the recommendations are accepted and implemented by the Government the key implications for the Council are:

- A likely increase in audit fees; with evidence suggesting audit fees collectively are 25% lower than require to fulfil local audit requirements effectively. However, it is hoped that this will be offset by an improved system of regulation and a better co-ordination of the external audit role for local authorities.
- Formalisation of the facility for the Chief Executive, the Monitoring Officer and the Chief Financial Officer to meet with the Key Audit Partner at least annually.
- An Independent Audit Committee Member must be appointed.
- Potential for External Audit to recognise that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Practice.
- A revised timetable, with a change in the reporting deadline for published audited local authority accounts being extended to 30<sup>th</sup> September from 31 July each year.
- The requirement for the external auditor to present an Annual Audit report to the first Full Council meeting after 30<sup>th</sup> September each year, irrespective of whether the accounts have been certified.
- A new standardised financial statement of service information and costs will form part of the audited statements in 2021-22 and this will be subjected to External Audit. (Bury Council has pro-actively already commenced work on the standardised statement of service and information and costs and this will be included in the financial statements produced for the financial year 2020/21 and there is no requirement that this is subjected to Audit).

**Delegated decisions:**

1. That the contents of the report be noted.
2. That the Audit Committee will receive regular updates regarding the status of the Redmond Review, the recommendations agreed by the Government and progress being made by Bury Council to implement the recommendations.

**AU.319 EXTERNAL AUDIT - AUDIT COMPLETION REPORT**

It was reported that the work of the External Auditors was still ongoing.

**Delegated decision:**

That the update be noted.

**AU.320 EXCLUSION OF PRESS AND PUBLIC**

**Delegated decision:**

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items of business since they involved the likely disclosure of exempt

information, relating to any action taken, or to be taken in connection with the prevention, investigation and prosecution of crime.

**AU.321 INTERNAL AUDIT QUARTER 2 - EXEMPT REPORT**

The quarter 2 internal audit report sets out that 16 internal audit reports were issued to Members and Appendix A detailed the individual reports. These reports are attached, referenced A1 to A16.

Members were given the opportunity to ask questions, make comments and seek clarification on the information provided in the reports.

**Delegated decision:**

That the contents of the reports be noted.

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

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