

## AGENDA FOR

### AUDIT COMMITTEE

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**To: All Members of Audit Committee**

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

Dear Member/Colleague

#### **Audit Committee**

You are invited to attend a meeting of the Audit Committee which will be held as follows: -

<b>Date:</b>	Monday, 25 January 2021
<b>Place:</b>	Microsoft Teams Meeting
<b>Time:</b>	7.00 pm
<b>Briefing Facilities:</b>	If Opposition Members and Co-opted Members require briefing on any particular item on the Agenda, the appropriate Director/Senior Officer originating the related report should be contacted.
<b>Notes:</b>	

## **AGENDA**

**1 APOLOGIES FOR ABSENCE**

**2 DECLARATIONS OF INTEREST**

Members of the Audit Committee are asked to consider whether they have an interest in any of the matters on the agenda and, if so, to formally declare that interest.

**3 MINUTES OF THE LAST MEETING (Pages 5 - 12)**

The Minutes of the last meeting of the Audit Committee held on

**4 MATTERS ARISING**

**5 2019/20 AUDIT FINDINGS REPORT (Pages 13 - 44)**

A report from the External Auditors is attached

**6 2019/20 STATEMENT OF ACCOUNTS**

A report will follow.

**7 ANNUAL GOVERNANCE STATEMENT 2020/21 (Pages 45 - 54)**

A report from Lisa Kitto Interim Director of Financial Transformation is attached

**8 ANNUAL GOVERNANCE STATEMENT (AGS) ACTION PLAN UPDATE (Pages 55 - 68)**

A report from Lisa Kitto Interim Director of Financial Transformation is attached

**9 SCHEME OF DELEGATION AND FINANCIAL LIMITS**

An update will be given at the meeting.

**10 PROCUREMENT CONTRACT PROCEDURE RULES AND PROCUREMENT OVERVIEW (Pages 69 - 76)**

A presentation will be given at the Meeting.  
Report by Lisa Kitto, Interim Director of Financial Transformation is attached

**11 APPOINTMENT OF INDEPENDENT MEMBER**

An update will be given at the Meeting

**12 INTERNAL AUDIT IMPROVEMENT PLAN UPDATE (Pages 77 - 92)**

A report from Lisa Kitto - Interim Director of Financial Transformation is attached

**13 EXCLUSION OF PRESS AND PUBLIC**

To consider passing the appropriate resolution under Section 100(A)(4) of the Local Government Act 1972 that the press and public be excluded from the meeting during consideration of the following items of business since they involve the likely disclosure of the exempt information stated.

**14 FRAUD UPDATE - SPOTLIGHT ON BUSINESS GRANTS AND BENEFIT CLAIMS**

A presentation will be given at the meeting

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**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:**

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

**Apologies for Absence:**

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**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**

**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.3           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.4           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.5 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.6 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.7 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.8 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 that 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.9 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.10 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.11 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.

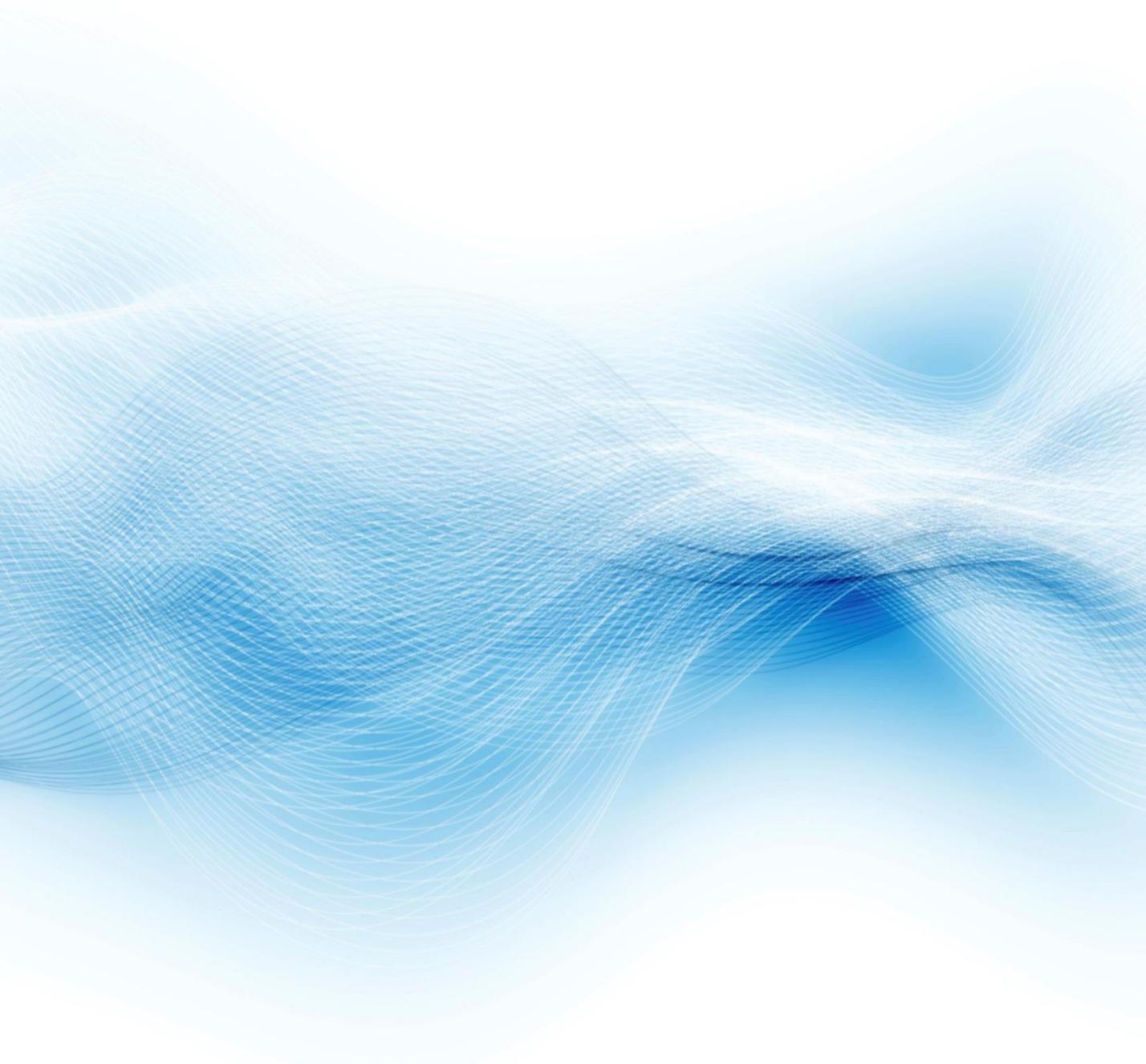
**COUNCILLOR M WHITBY**  
**Chair**

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

# Audit Completion Report

Bury Metropolitan Borough Council

Year ending 31 March 2020



## CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor's report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Bury Metropolitan Borough Council are prepared for the sole use of the Bury Metropolitan Borough Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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18 January 2021

Dear Members

**Audit Completion Report – Year ended 31 March 2020**

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 10 March 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council/ / Authority was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0161 238 9248.

Yours faithfully

Karen Murray  
Partner  
Mazars LLP

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# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Bury Metropolitan Borough Council ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Audit Committee meeting on 25 January 2021.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

### Significant Risks

- Management override of control
- Property, plant & equipment (PPE) valuation
- Defined benefit liability valuation

### Key areas of management judgement

- Valuation of airport shareholding
- Accounting for schools

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

Subject to the satisfactory completion of the remaining audit procedures, we anticipate issuing an unqualified opinion on the financial statements, with an 'emphasis of matter' modification to the form of the auditor's report.

### Value for Money conclusion

We anticipate qualifying our conclusion in respect of the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

### Whole of Government Accounts (WGA)

We will complete our work on your WGA submission, in line with the group instructions recently issued by the NAO. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Bury Metropolitan Borough Council and to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.

# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Property, plant, and equipment valuations.		We are finalising our work for a specific section of the valuations. Further details are provided on Page 7.
Journals Testing		We are finalising our work on the journal records of the Council.
Income & Expenditure		We are finalising our work on a small number of income and expenditure transactions, including cut-off.
Group Consolidation		We are finalising our consideration of the group consolidation.
Post Balance Sheet Events Review		We will update our review of post balance sheet events disclosures up to the date of signing our audit report.
Whole of Government Accounts		Due to the significant delays with the NAO Group Instructions for local authority audits in 2019/20, our work on the Council's WGA consolidation pack remains outstanding. Further details on this matter are provided on page 12.
Signed final statements and signed Management Representation Letter		We will complete our final review of the financial statements to confirm all expected changes have been made, upon receipt of the signed version of the accounts and letter of representation.

### Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £11.9m using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £11.9m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee, at £0.357m based on 3% of overall materiality).



## 2. EXECUTIVE SUMMARY (CONTINUED)

### **Misstatements and internal control recommendations**

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.



## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 11 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Bury Metropolitan Borough Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks.

#### Significant risk

#### Description of the risk

Management override of controls

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

We are still finalising our work on the journal records. There are no matters arising from the other areas of our work completed against this risk.



## 2. SIGNIFICANT FINDINGS (CONTINUED)

**Significant risk**

Valuation of Land & Buildings and Investment Property

**Description of the risk**

The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a four year cycle with all retail properties and a significant proportion of investment properties revalued annually.

The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.

As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.

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**How we addressed this risk**

We have:

- Critically assessed the Council’s valuer’s scope of work, qualifications, objectivity and independence to carry out the Council’s programme of revaluations;
- Considered whether the overall revaluation methodology used by the Council’s valuer is in line with industry practice, and the CIPFA Code of Practice;
- Critically assessed the appropriateness of the underlying data and the key assumptions used in the valuer’s calculations, using available third party evidence and benchmarking with other local authorities;
- Considering whether the valuation changes in 2019/20 are consistent with evidence of changes in industry published indices of changes in build costs;
- Assessed the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;
- Critically assessed the treatment of the upward and downward revaluations in the Council’s financial statements with regards to the requirements of the CIPFA Code of Practice;
- Critically assessed the approach that the Council adopts to ensure that assets not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council’s valuer; and
- Tested a sample of items of capital expenditure in 2019/20 to confirm that the additions are appropriately valued in the financial statements.

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**Audit conclusion**

We have substantially completed our work in this area. There is one outstanding query which we are currently finalising with assistance from the Council’s internal valuer and which could result in an amendment to the accounts, albeit not material. We are also discussing with the valuer whether there is a material valuation uncertainty in respect of the valuations as at 31 March 2020 as a result of the pandemic.

From the work to date there are no other matters arising to bring to your attention.

Issues relating to the capital accounting arrangements identified in the prior year have been addressed and we are pleased to report this to the Committee. Further details are provided in Section 3 of this report relating to prior year internal control recommendations.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of Defined Benefit Pension Liability	<p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2019. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.</p>

### How we addressed this risk

We have:

- Critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's actuary, Hymans Robertson;
- Liaised with the auditors of the Greater Manchester Pension Fund and obtained assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuations for the Council and the two subsidiary companies. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and
- Agreed the data in the IAS 19 valuation reports for the Council provided by the actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

In addition our work focused on two issues that emerged through 2020. In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' case, an estimate of which was included in the Council's liability in 2019/20. The proposed remedy indicates that the actuarial estimate of the liability for 2019/20 was likely to be overstating the pension fund liability but not materially. A second emerging issue this year is the 'Goodwin' case which also relates to groups of pension fund members suffering discrimination. Although the impact of 'Goodwin' is still being clarified the Council's actuary have provided details of the impact on the Council's liability. We have reviewed the evidence provided by the pension fund and the Council's actuary in order to conclude on the material accuracy of the liability.

### Audit conclusion

We have completed our work programme in respect of this risk. We are satisfied that the entries within your accounts are appropriate with the inclusion of a revised disclosure for the following issue:

The Pension Fund and its auditor have highlighted a "material valuation uncertainty" over the valuation of the Pension Fund's property holding. This is to be disclosed in the notes to the Council's Accounts and, in line with normal practice, we will include reference to this disclosure as an 'emphasis of matter' in our audit report. The inclusion of an 'emphasis of matter' paragraph is not a modification or qualification of our audit opinion. This is not an issue specific to Bury Council, and has been reported across Greater Manchester.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

**Management judgement**

Valuation of Airport Shareholding

**Description of the management judgement**

The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited (MAHL) at 31 March 2020. The valuation is determined under IFRS13 applying a consistent methodology to previous and applying key assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements.

**How our audit addressed this area of management judgement**

Our approach to auditing the investment in Manchester Airport Holdings Limited included the involvement of the Mazars in-house valuation team.

The Mazars in-house valuation team reviewed the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.

We reviewed the calculation of the valuation by the Council's external valuation expert in light of the update financial information available in July 2020 from the published MAHL financial statements for the year to 31 March 2020.

**Audit conclusion**

We have completed our procedures and there are no matters arising against the valuation of the Council's investment in MAHL.

**Management judgement**

Accounting for Schools

**Description of the management judgement**

The Council continues to account for schools in its single entity financial statements. In addition the Council discloses that it includes in its financial statements the following categories of schools: Community, Voluntary Aided, Voluntary Controlled and Foundation.

**How our audit addressed this area of management judgement**

We will consider the continued accounting treatment of the Council's schools and its compliance with the requirements of the CIPFA Code and other sector guidance.

**Audit conclusion**

We have completed our procedures and there are no matters arising.



## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Council's accounting practices

We have reviewed Bury Metropolitan Borough Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Bury Metropolitan Borough Council's circumstances.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting (the Code). We have considered the appropriateness of the use of the going concern assumption and have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code, appropriately tailored to the Council's circumstances.

We reported significant concerns to the Committee in the prior year relating to the accounts presented for audit, general compliance with the Code and reporting requirements, specific issues relating to capital accounting and property, plant & equipment, and dealing with the audit process. We are pleased to report to the Committee that the council finance team and management responded positively to the issues highlighted and that the accounts received were of good quality with supporting working papers. Management and finance have engaged with us throughout the year, and the improvement in presentation and technical quality of the accounts was significant. We would like to thank officers for the commitment to making these changes and improvements for 2019/20.

### Significant matters discussed with management

The significant matters we discussed with management through the audit included:

- The impact of COVID-19 on the Council's financial statements, including potential impact on risks of material misstatement. We concluded that there were no additional risks of material misstatement in 2019/20.
- The valuation of the Council's land & buildings and investment property. The outcome of this work is reported earlier in the report.
- The valuation of the Council's investment in Manchester Airport Holdings Limited. The outcome of this work is reported earlier in the report.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

However, the impact of the COVID-19 pandemic on the audit should be noted. Although we have had the full co-operation of the finance team and Council management through the audit, there were some difficulties particularly in relation to obtaining the supporting evidence for our sample testing of the Council's PPE where this was not held by finance and was with estates and other teams.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any questions or objections during our audit from electors.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Modifications required to our audit report

We have identified the following issue(s) which has/have resulted in us proposing to issue a modified audit opinion. Our draft auditor's report, in full, is set out in Appendix B.

Issue	Impact on our audit opinion
<p><b>Material Valuation Uncertainty – the Council's share of the Pension Fund's Property related investments</b></p> <p>As part of our work on the Council's net defined benefit pension liability, as referred to on page 8, we have had to consider the implications arising from disclosures made in the Greater Manchester Pension Fund's accounts.</p> <p>The Fund's independent valuer has highlighted a material valuation uncertainty in respect of the direct property related assets of the Fund as a result of the Covid19 pandemic. This is due to the reduction in the number of transactions in the market and the impact this has on relevant observable data upon which to base a valuation judgement.</p> <p>Our work and discussions with the Fund's management also highlighted there to be the corresponding risk in relation to the indirect property assets held by the Fund. Necessary disclosures have been included within the accounts.</p> <p>Having assessed the council's exposure to this issue via the share of property investments assets held, we have concluded that this represents a material valuation uncertainty that the Council should disclose.</p>	<p>We propose issuing an unqualified audit opinion in respect of this matter, however, the Auditor's Report is modified.</p> <p>The modification to our audit report will be in the form of an 'Emphasis of Matter' and our proposed audit report is included at Appendix B.</p>

### Possible delay in Audit certificate – Whole of Government Accounts

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts alongside the accounts opinion and value for money conclusion.

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts (WGA) consolidation pack.

The NAO's WGA Group Instructions regarding the audit work required and its timetable for audit reporting have been significantly delayed in 2019/20. Group instructions were issued on the 5 November 2020 so the timing of our review of your WGA submission is to be confirmed. We will report the results in our Annual Audit Letter.

As a result, it is likely that we will issue the Auditor's Report without the Audit Certificate. We will issue the Audit Certificate separately as soon as we are able to do so (on completion of our WGA work).

At this stage the draft Auditor's Report at Appendix B assumes that we are unable to issue the Audit Certificate alongside the accounts audit opinion and value for money conclusion.



### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
<b>1 (high)</b>	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	<b>0 (none)</b>
<b>2 (medium)</b>	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	<b>0 (none)</b>
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	<b>0 (none)</b>



### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

**Follow up of previous internal control points**

We set out below an update on internal control points raised in the prior year.

**Description of deficiency – Level 2**

There are weaknesses and lack of clarity in the processes and data used to prepare the valuation of the Council's property, plant, and equipment. Enquiry has also identified weaknesses in the underlying data systems and maintenance of underlying standing data.

**Potential effects**

The valuation of the asset portfolio of the Council could have a significant variance in valuation as a result of the deficiencies in this area, and could lead to inappropriately valued transactions relating to depreciation, impairment losses, valuation gains, and the potential impact on the capital reserves.

**Recommendation**

New and revised instructions to be provided to the valuation specialist, with an annual review undertaken and documented where full revision not required. A data corroboration exercise to ensure underlying asset data is materially accurate.

**2019/20 update**

Through our work on the capital accounting and relevant valuations performed, we are satisfied that there are appropriate arrangements in place to control and provide accurate accounting entries in respect of property, plant, and equipment, and applying appropriate capital accounting requirements. Significant progress has been made to ensure effective and accurate record keeping.

**Description of deficiency – Level 3**

The work of our Technology Risk Services team have identified a number of weaknesses within the IT security architecture.:

- the active directory allows 30 password attempts to access the network;
- the password policy for some access does not include any complexity, length, or attempt parameters;
- there is no regular periodic review to ensure user access rights are appropriate; and
- we identified 2 cases where some ledger access rights were not restricted in line with expectation.

**Potential effects**

There is a risk that the network or specific systems could be accessed by illegitimate users, which presents a risk of loss of sensitive data, and access to the network presenting wider network integrity risks. The work undertaken by my colleagues in TRS has not identified any instances of these issues being exploited.

**Recommendation and Response**

That the IT security architecture is reviewed and strengthened, particularly in light of the enhanced data protection requirements the Council is subject to.

**2019/20 update**

The Council has started the process of identifying and addressing the IT security architecture. While a few of the items remain extant at the time of our review, we are satisfied that they do not present a current material risk to the Council. However, we do anticipate that the review of the security arrangements in this area will identify some areas for strengthened arrangements.



## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.357m.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements 2019/20

There are no unadjusted misstatements to bring to your attention. However, we do bring your attention to the matters outstanding as indicated on page 4. If following the conclusion of these outstanding audit procedures there are unadjusted misstatements we will include necessary tables in our subsequent letter.



## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Adjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: CIES Non Service Specific (Net)	805			
Dr: CIES Business, Growth & Infrastructure (Net)	349			
Cr Financing & Investment Income		1,154		

The categorisation of some minor elements of expenditure needed to be shown within Net Cost of Services rather than within Financing & Investment Income 'below the line'. There is no impact on the reported outturn of the Council.

There are related adjustments to the Cash Flow Statement in terms of categorisation as well as through relevant disclosure notes.

### Disclosure amendments

We have identified a small number of disclosure amendments that were necessary in the financial accounts to improve and enhance reporting.

We identified a material amendment to the disclosure included at Note 31.1 in respect of the operating lease for land leased to Manchester Airport on a long term basis to 2085. This amendment did not impact the primary statements.

We are finalising our review and as outlined on page 11 we are working with the Council to agree enhanced disclosures to be included within Note 18 relating to the pension funds material valuation uncertainty in relation to their property investments.

As noted on page 4, there are a few areas where we are finalising our work. If there are any significant disclosure amendments following the completion of these audit procedures we will summarise and report back to the Audit Committee in our communication letter.



## 5. VALUE FOR MONEY CONCLUSION

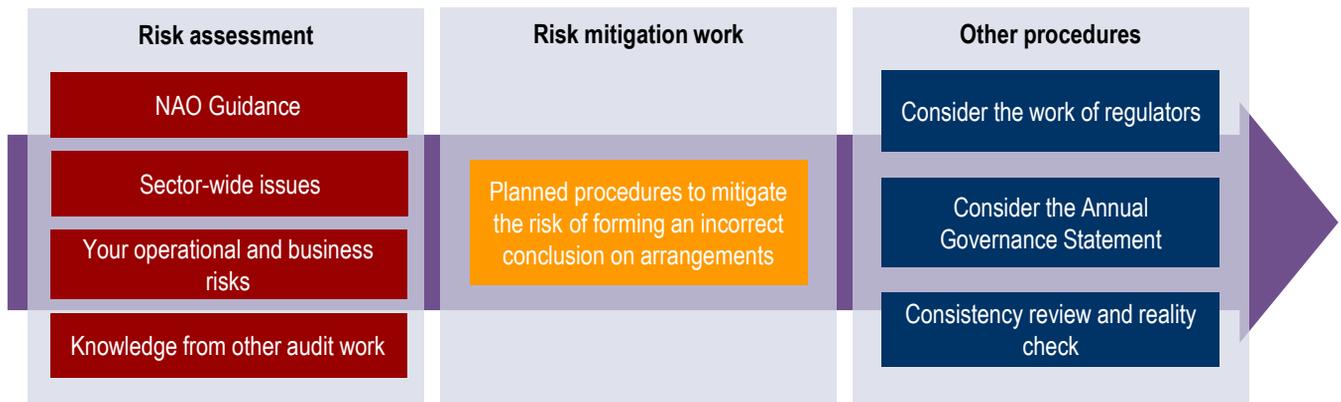
### Our approach to Value for Money

We are required to form a conclusion as to whether the Bury Metropolitan Borough Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Bury Metropolitan Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided overleaf.



### Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified two significant Value for Money risk relating to financial sustainability and working with partners and third parties.

During the course of our work we were satisfied that the Council had appropriate arrangements in place to mitigate the risks identified at planning. However, our review and the work undertaken has identified a

The work we carried out in relation to the significant risks are outlined on page 17 onwards.



## 5. VALUE FOR MONEY CONCLUSION

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Council is developing its arrangements to comply with the principles and values of sound governance.</p> <p>The Council is committed to acting in the public interest, and is undertaking work to underpin the decision making process with necessary governance arrangements and appropriate, timely, and reliable financial information.</p>	No
Sustainable resource deployment	<p>The arrangements in place to manage this risk are appropriate and effective.</p> <p>The planned use of the financial resources of the Council support the strategic priorities and maintaining the statutory functions. Assets are managed and utilised in such a way to facilitate meeting these priorities and functions.</p> <p>The workforce is deployed in such as way as to make this possible.</p>	Yes
Working with partners and other third parties	<p>The arrangements in place to manage this risk are appropriate and effective.</p> <p>The Council has put in place management and oversight functions to ensure that the work carried out with third parties helps achieve strategic priorities. This includes the effective commissioning of services where required. The commissioning and procurement functions of the Council support the delivery of strategic priorities.</p>	Yes



## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant Value for Money risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to this significant risk is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Financial Sustainability</b></p> <p>The Council has identified and set out the financial challenges it faces over the period 2019/20 to 2023/24.</p> <p>Though not unique to Bury, they do present a significant audit risk in respect of considering the arrangements that the council has in place to deliver financial sustainability over the medium term.</p>	<p><b>Work undertaken</b></p> <p>We reviewed the arrangements the Council had in place throughout 2019/20 for ensuring financial resilience.</p> <p>Specifically we reviewed whether the medium term financial plan took into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. We also reviewed the arrangements in place to monitor progress delivering the budget and related savings plans, and in the context of the emerging impact of the COVID-19 pandemic.</p> <p><b>Findings</b></p> <p>The net revenue budget requirement for the Council for 2019/20 was set at £138.862m. The Council was able to deliver the programme to a net overspend on revenue of £5.003m, though it should be noted that the overspend was impacted in March 2020 by the agreement of additional contribution to the pooled fund and the application of £3.650m of reserves. Without these items, the council would have achieved an in-year revenue underspend against budget of £1.847m.</p> <p>The Council faces a significant challenge in ensuring its financial sustainability over the medium term. This challenge, which is exacerbated by the Covid-19 situation, has been developing over several years. In addition, the Council continues to face financial pressures arising from demand in some services, most notably Communities and Wellbeing which overspent in 2019/20 by £12.393m primarily relating to the pooled fund, and Children’s services which saw an £2.226m overspend against budget in 2019/20.</p> <p>In setting the 2020/21 budget, the Council made a number of decisions based on a strategy of “right-sizing” budgets for services including those where spend was significantly lower than the previous budget. This also allowed for a realignment of spend to Council priorities. The budget also required the Council to deliver savings in some areas including Children’s services, in order to mitigate the growing demand led financial pressures.</p> <p>(continued overleaf)</p>	<p>We conclude that the Council has proper arrangements to deliver financial sustainability in the medium term, but will have to respond to significant challenges in doing so.</p>

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
Financial Sustainability	Findings (continued)	
See page 17 for full description of risk.	<p>However, the financial position for 2020/21 became significantly more difficult because of the COVID-19 pandemic. The Council is continuing to refine its assessment of the impact of COVID-19 on 2020/21 and future years.</p> <p>It is apparent that there are also significant additional cost pressures, particularly in delivering social care within the local health economy, and significant levels of lost income. The lost income relates to fees and charges, income from the Council’s investments including that in the Manchester Airport Group, and an impact on the Collection Fund for both council tax and business rate income. The Council has continued to respond to the government’s request for increasingly detailed financial information in monthly returns and is therefore tracking its position closely.</p> <p>The arrangements in place at the Council for budget setting and updating the Medium Term Financial Plan (MTFP), provide a clear financial framework for the Council. However, they are impacted by factors outside of the Council’s direct control including the:</p> <ul style="list-style-type: none"> <li>• delayed comprehensive spending / fair funding review;</li> <li>• impact of business rates reset; and</li> <li>• review of the business rates retention pilot.</li> </ul> <p>In identifying these uncertainties, management have made a series of assumptions that are being updated as information becomes available. Officers have prepared and presented to members a financial impact analysis highlighting the likely funding gaps for each year in the period.</p> <p>Although the Council still has significant levels of earmarked reserves as at 31 March 2020, these will not be sufficient to sustain the Council’s financial position over the medium term given the estimated impact of the pandemic. This means the Council needs to ensure that the strategic decisions it has taken about its services it wants to provide are implemented by services and the savings identified as necessary are delivered in full and on time.</p> <p>The arrangements in place for monitoring the financial position will allow the Council to identify any emerging additional pressures or slippage in the delivery of these plans.</p>	



## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
<p><b>Working with Partners and Third Parties</b></p> <p>The Council is working with Bury Clinical Commissioning Group (CCG) and other partners (such as local care providers), to help secure a sustainable health and social care economy.</p> <p>By putting in place arrangements for the Council, care organisations, and the CCG, to work more closely together, it is anticipated that developing new models of care for community health, primary care and social care services will have a significant impact.</p>	<p><b>Findings</b></p> <p>We have reviewed the arrangements in place for the Council to work with its partners to deliver the transformation and strategic development of the Borough’s health and social care economy, how the governance arrangements have operated, and how the arrangements and risks have been monitored and managed.</p> <p>This has included review of detailed consideration and reporting by internal audit, as well as other sources of information, and direct meetings with senior officers with direct responsibility for the programmes.</p> <p>The Council has put in place a series of initiatives to provide greater insight, the increased need for key metrics to help identify early intervention measures, and ownership of the financial impact of operational decisions taken. Reports are submitted to the relevant meeting setting out the pertinent issues and decisions are appropriately recorded.</p> <p>There is evidence of appropriate and regular monitoring and reporting, including of financial due diligence around partner and scheme selection criteria.</p> <p>However, it should be noted that there remain significant financial challenges ahead for the Council and its partners, and uncertainty throughout the health sector which have been exacerbated by the Covid-19 pandemic.</p>	<p>We conclude that the Council has proper arrangements to effectively work with partners and third parties to deliver services and corporate objectives,, but will have to respond to significant challenges in doing so.</p>



# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
<b>Informed Decision Making</b>	<p><b>Findings</b></p> <p>Through our work on the identified VFM risks and review of the arrangements in place, as well as meetings with senior officers, it became apparent that, although there were significant and ambitious plans for the reorganisation and transformation of the Council, the management and decision making arrangements were not fully embedded during the period under review.</p> <p>Work has therefore been underway through the 2019/20 year to update and improve governance arrangements to support corporate planning, risk management, financial management, and performance management. These improvements included changes within the Internal Audit function, updating of the Council’s Constitution, including decision making and contract procedures, and had making structural changes regarding management and directorate responsibilities. However, the plans were not as far along as we had initially expected.</p> <p>In early 2020 it was clear that though plans had not been fully delivered, progress was being made and there were visible “green shoots” of improvement from these changes intended to strengthen arrangements. There were steps forward in respect of social care, and progress was being made although there remains much to do.</p> <p>While the Council had stabilised some of the risks relating to financial sustainability as identified in previous risk commentary, and though arrangements in 2019/20 were better and stronger following the changes made, there was still more to be done in 2020/21, notwithstanding the pandemic. It is therefore key that the Council is able to identify and separate out the Covid related pressures from the underlying issues to be addressed so that the cost base is properly and permanently reduced.</p> <p>There had been an ongoing issue relating to a persistent deficit on the Dedicated Schools Grant (DSG). The Council is now one of a small number of authorities involved in a ‘safety valve’ arrangement with Department of Education as part of an intervention to help the Council address this challenge. This will help the Council and schools deliver for local children and supports an improvement in working relationships. It will be important for necessary information to be available to assist officers and members make informed decisions about this project.</p> <p>While not fully realised in 2019/20, we can see that the Council is making significant progress in this area both in structural and operational terms. This work needs to continue in 2020/21 to enable the Council to make informed and effective decisions.</p>	<p>While the Council has made significant progress with reorganisation and transformation plans, these were not fully realised in 2019/20.</p> <p>We are proposing to qualify our VFM conclusion on this basis.</p>

### Our overall Value for Money conclusion

Our draft auditor’s report included in Appendix B states that we intend to issue a qualified Value for Money conclusion for the 2019/20 financial year.



## DRAFT MANAGEMENT REPRESENTATION LETTER

To be provided to us on client headed note paper

Date

Dear Karen

### **Bury Metropolitan Borough Council - audit for year ended 31 March 2020**

This representation letter is provided in connection with your audit of the financial statements of Bury Metropolitan Borough Council ('the Council') and its Group for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council, Cabinet and committee meetings, have been made available to you.

### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

### **Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

### **Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

## DRAFT MANAGEMENT REPRESENTATION LETTER

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date. There are no undisclosed contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

#### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

#### Fraud and error

I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

#### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

#### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

#### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

#### Covid-19

We confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

## DRAFT MANAGEMENT REPRESENTATION LETTER

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date. There are no undisclosed contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### Fraud and error

I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### Covid-19

We confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in the Appendix to this letter.

Yours faithfully

Lisa Kitto  
Director of Finance



## Independent auditor's report to the members of Bury Metropolitan Council

### Report on the financial statements

#### Opinion

We have audited the financial statements of Bury Metropolitan Borough Council ('the Council') for the year ended 31 March 2020, which comprise the Council's Comprehensive Income and Expenditure Statements, the Movement in Reserves Statements, the Balance Sheets, the Cash Flow Statement, the Collection Fund, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2020 and of the Council's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land and buildings

We draw attention to note 18 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's share of Greater Manchester Pension Fund's property assets. As disclosed in note 18 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic creating a shortage of relevant market evidence upon which to base their judgements. Our opinion is not modified in respect of this matter.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Director of Finance is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Director of Finance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **Qualified conclusion on Bury Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied, with the exception of the matters described in the "Basis for Qualified Conclusion" paragraph below, that in all significant respects, Bury Metropolitan Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### **Basis for Qualified Conclusion**

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources, we reviewed the Council's arrangements to support decision making to support our risk assessment. During 2019-20, the Council had identified weaknesses in the arrangements in place with respect to the Council's Constitution and underlying governance processes including risk management and performance management. Work has been underway throughout the year to strengthen the arrangements but there remained, a risk to the overall governance framework.

These matters are evidence of weaknesses in the Council's arrangements for proper decision making.

### **Responsibilities of the Council**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Use of the audit report**

This report is made solely to the members of Bury Metropolitan Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Karen Murray

For and on behalf of Mazars LLP

One St Peter's Square  
Manchester  
M2 3DE  
XX January 2021

# APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



## CONTACT

### **Karen Murray**

Partner

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Manager

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Classification	Item No.
Open	

<b>Meeting:</b>	Audit Committee
<b>Meeting date:</b>	25 <sup>th</sup> January 2021
<b>Title of report:</b>	Annual Governance Statement 2020/21
<b>Report by:</b>	Interim Director of Financial Transformation
<b>Decision Type:</b>	Council
<b>Ward(s) to which report relates</b>	<b>All</b>

### **Executive Summary:**

This report sets out the proposed and timetable to be adopted to compile the Annual Governance Statement for 2020/21

### **Recommendation(s)**

**That:**

- Members note this report and the key activities and dates in compiling the Council's Annual Governance Statement for 2020/21.

## **Key Considerations**

### **1. Background**

- 1.1 The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit Regulations 2015. This report sets out the action plan / timetable to ensure compliance with the production of an Annual Governance Statement for 2020/21.

### **2. Issues**

- 2.1. The Accounts and Audit Regulations 2015 set out requirements related to the Council's systems of internal control, and the annual review and reporting of those systems.
- 2.2 The Regulations require Councils to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which include the arrangements for the management of risk.
- 2.3 In addition, the Regulations require the Council to conduct a review at least once in a year of the effectiveness of its systems of internal control. Following the review the Council must approve an Annual Governance Statement which then accompanies its Statement of Accounts. This assurance statement is made by the Chief Executive and Leader of the Council.
- 2.4 The Annual Governance Statement (AGS) should be prepared in accordance with "proper practices" as set out in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" and supporting guidance associated with this.
- 2.5 The current deadline (31 July) for approving the Council's accounts and completing the AGS, is currently being reviewed by the MCHLG, following the Redmond Review. This review set out a proposed extension to the deadline for published audited accounts to 30 September for a period of two years. Consultation with key stakeholders is due to be completed early in the New Year, so this date is subject to change. If the Review's recommendations are accepted and implemented by Government, in accordance with best practice, a full draft version of the AGS will be shared with the Accounts and Audit Committee in advance of this date.
- 2.6 Therefore, the timetable of AGS activities is set out in Appendix A. However, as above, this may need to be reviewed. This position will be monitored and reviewed in line with any further government updates which may be received in light of the Redmond review.
- 2.6 The Council has had to act quickly during 2020/21 to respond to the risks and to address the issues arising from the COVID-19 pandemic. Some services, e.g. car parking, libraries and leisure services, have at key intervals (e.g.

National Lockdown), been suspended and staff resources have been redirected to provide assistance to other services where help has been required. This includes the staff within the Internal Audit Team, who have also been assisting with the administration of Business Grants and Self-isolation payments. There is a report in this agenda which sets out the key outcomes from this process.

- 2.7 It is expected that the impact of COVID-19 may have raised new governance matters, which will be need to be reflected in the 2020/21 statement. There is also a risk that the Annual Opinion of the Head of Internal Audit may need to be redirected to alternative sources of assurance for the work which has been undertaken in 2020/21. Members will be verbally updated on this matter at the meeting.

### **3. Governance**

- 3.1 The CIPFA/SOLACE framework provides a structure to assist authorities with their approach to governance and the production of the AGS. The framework and supporting guidance was updated for in 2016 and, in producing the 2020/21 AGS, the guidance will be taken into account through the process.

- 3.2 Authorities are required to review their governance arrangements against the principles contained in the Framework. The Framework, as to be applied for the 2020/21 AGS, adopts seven core principles that must be considered when defining good governance:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the Entity'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.

- 3.3 In order to meet the expectations of the Corporate Governance framework, local authorities are expected to do the following:

- Review their existing governance arrangements against the Framework.
- Maintain a local code of governance, including arrangements for ensuring its ongoing application and effectiveness.
- Prepare an Annual Governance Statement (as required by the Accounts and Audit Regulations 2015) in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance

arrangements in the year, and on any planned changes in the coming period.

## **4. Process to Support the Annual Governance Statement**

4.1 The proposed timetable for producing the AGS reflects input from Members and Officers to the process.

4.2 The following arrangements are in place to enable the production of the AGS in 2020/21:

### **a) Annual Review of Corporate Governance (Assurance Gathering process)**

An assurance mapping exercise to identify potential sources of assurance available will be carried out with the aim of:

- Mapping systems / processes in relation to which assurance is required in accordance with the existing CIPFA framework.
- Identifying existing sources of assurance to confirm that key controls / risks are operating / managed effectively. Sources include:
  - Management Controls including legal compliance, performance management, and risk and financial reporting functions operating at corporate and directorate level;
  - Internal assurance including Internal Audit, other compliance functions and internal review work;
  - External assurance e.g. External auditor and other inspectorates, partner's compliance functions etc.

In addition, as part of this process, the Council's Corporate Governance Code will be reviewed and updated where applicable to ensure it reflects changes including the updated CIPFA/SOLACE guidance and a review will be undertaken to determine the progress made addressing issues identified in the 2019/20 AGS. The current progress towards the 2019/20 AGS Action Plan is included elsewhere on this agenda.

### **b) Production and Approval of the Annual Governance Statement**

Input from Members and Officers to produce and approve the 2020/21 AGS includes:

- Executive Directors and senior managers to contribute to the content of the Statement.
- Executive Directors and senior managers to review the adequacy/robustness of the Statement.
- Chief Executive and Leader to agree the draft AGS.
- Draft Annual Governance Statement to accompany the draft accounts to be provided to the External Auditor.
- Draft Annual Governance Statement to be shared with the Audit Committee.
- Audit Committee to approve the final version of the AGS, which is signed by the Chief Executive and Leader, and accompanies the Council's final accounts.

- 4.3 The planned timetable for the process of producing the AGS is included as Appendix A. This timetable will be reviewed on a regular basis to ensure any changes are captured to reflect legal and from professional guidance, e.g. following any further guidance from CIPFA.

## **5. Benefits of the Process**

- 5.1 It is noted that whilst there is a legislative requirement to complete the AGS, the information provided by the exercise is of benefit to the Council as it enables an assessment of governance arrangements across the Council, and identifies where strengths and areas for development exist in those arrangements. Where significant governance issues are identified, progress can be monitored as required through the year (and reflected within the following year's AGS).
- 5.2 It is recognised that the proposed approach may require greater resource due to the COVID-10 pandemic. Work is underway to determine the sources of assurance to allow the AGS to be prepared for 2020/21. Progress and potential areas for future development will be identified and reported to the committee to support and improve the process in future years.

## **Community impact / Contribution to the Bury 2030 Strategy**

Ensuring compliance with Financial Procedures and Policies

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### **Equality Impact and considerations:**

24. *Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:*

*A public authority must, in the exercise of its functions, have due regard to the need to -*

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*
25. *The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations,*

*and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.*

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## **Assessment of Risk:**

The following risks apply to the decision:

<b>Risk / opportunity</b>	<b>Mitigation</b>
If the AGS timetable is not achieved there is a risk that the AGS is not completed to meet the statutory deadline.	The progress of completion of works for the AGS will be monitored and reported to future Audit Committees.

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## **Consultation:**

There are no consultation requirements.

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## **Legal Implications:**

The Council must have a sound system of internal control which facilitates the effective exercise of its functions, including risk management. This is both a legal requirement and a requirement of the Financial Regulations set out in the Council's Constitution. This report provides information on the work of the Council's Internal Audit Service, in ensuring compliance.

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## **Financial Implications:**

There are no financial implications arising from this report. The work of the Internal Audit Service however supports the governance framework and the work on business grants has also ensured that the risk of fraud to the Council is minimised.

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## **Report Author and Contact Details:**

Janet Spelzini, Acting Head of Internal Audit,  
Tel: 0161 253 5085

Email: j.spelzini@bury.gov.uk

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**Background papers:**

Annual Governance Statement 2019/2020

**Please include a glossary of terms, abbreviations and acronyms used in this report.**

Term	Meaning
CIPFA	Chartered Institute of Public Finance and Accountancy
AGS	Annual Governance Statement

**Action Plan to produce the 2020/21 Annual Governance Statement 1**

\*\* Due to the Redmond Review, and the associated current consultation, the dates for the 2020/21 Statutory Accounts are subject to review and update. Updates will be reported to the Audit Committee when they become available.

The current dates assume that the statutory accounts date is unchanged.

<b>Actions Required</b>	<b>Completion Date **</b>
Audit Committee to receive and review this report, which outlines the Authority's approach to the Annual Governance Statement for 2020/21.  Verbal update regarding the Head of Audit Opinion for 2020/21.	January 2021
Interim review of actions taken to address the issues identified in 2019/20 AGS (see separate report to the Audit Committee on this matter).	January 2021
Obtain assurance on risk management processes / management of strategic risks – final review and update of Corporate Risk Register for 2020/21 to be agreed by the Joint Executive Team and rolled forward for management in 2021/22.	March 2021
Review and evaluation of the Authority's actual position in relation to its Corporate Governance Code. Complete collation of evidence to support the production of the draft Statement.	April 2021
Review the actions taken to address issues raised in the 2019/20 AGS.	May 2021
Production of a first draft of the AGS Statement and updated Corporate Governance Code for review by / comment from senior officers.	May 2021
Draft Annual Governance Statement for 2020/21 to be agreed by the Chief Executive and Leader	June 2021

<b>Actions Required</b>	<b>Completion Date **</b>
Draft Annual Governance Statement for 2020/21 shared with the External Auditors and Audit Committee	July 2021
Production of the Annual Head of Internal Audit Report and opinion – based on work completed by the Audit and Assurance Service during 2020/21 providing assurance relating to key systems, procedures and controls in place across the Council. (included for Member’s information)	July 2021
Final Annual Governance Statement 2020/21, signed by the Chief Executive and Leader, to be submitted to accompany the final accounts and approved by the Accounts and Audit Committee.	July 2021



<b>Classification – Open</b>	<b>Item No.</b>
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<b>Meeting:</b>	Audit Committee
<b>Meeting date:</b>	25 January 2021
<b>Title of report:</b>	Annual Governance Statement (AGS) Action Plan Update
<b>Report by:</b>	Lisa Kitto Interim Director of Financial Transformation
<b>Decision Type:</b>	Non Key Decision
<b>Ward(s) to which report relates</b>	All

### Executive Summary:

The Council's 2019/20 Annual Statement of Annual Accounts includes its Annual Governance Statement (AGS). This sets out the key issues arising from:

- its assessment of its internal governance arrangements;
- its key areas of governance concerns; and
- the actions being undertaken to address them.

The Final AGS was approved by the Audit Committee on 17 November 2020. Members also noted the 2019/20 AGS Action Plan and its current status. This report sets out a further update against this Action Plan.

Later in the agenda, Members will also consider a report which sets out the Plan for the preparation of the 2020/21 AGS, as part of the Council's preparations for the 2020/21 Statutory Accounts.

### Recommendation(s)

That:

- The Audit Committee note the further progress made towards achieving the AGS Action Plan as set out in Appendix 1.

## KEY CONSIDERATIONS

### 1. 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 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.
- 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 its activities and against these principles. The AGS is included as a statement in the Council's statutory accounts.
- 1.3 Members approved the 2019/20 Final AGS at the meeting of the Audit Committee on 17 November 2020. Members were also made aware of the special considerations, when producing the 2019/20 AGS, including:
- Following the CIPFA guidance issued in April 2020 to include relevant areas of governance impact arising from the COVID-19 pandemic. This guidance was captured throughout the document.
  - A new style document was also produced by the Council as part of a commitment to refresh existing practices and processes, as agreed by the Audit Committee on 30 July 2020.
  - The Annual Governance Statement includes an Action Plan and Members considered an update against this Action Plan at its meeting on 17 November 2020.
- 1.4 The Council has been monitoring the AGS Action Plan and a further update to the Action Plan has been produced; this is set out at Appendix 1. It is proposed that Members continue to receive further updates on progress against the AGS action plan be presented to all future Audit Committees for the remainder of the current financial year.
- 1.5 Appendix 1 sets out that good progress continues to be made against the action plan. Specific achievements include the proposed new Council constitution, the review of capital and risk management arrangements, developments to Internal Audit assurance process and the delivery of key elements of the Internal Audit improvement plan. It is anticipated that more progress will be made over the remainder of the financial year.

### 2. THE PROPOSAL

- 2.1 Some areas of weakness have been identified and the Council has agreed a programme of activity to address these issues. Further information how the Council plans to address some of the governance concerns is set out in the Action Plan, as Appendix 1, which also incorporates current updates.
- 2.2 Good progress continues to be made and regular progress updates around the action plan will continue to be provided to the Audit Committee.
- 2.3 The Council presented the draft AGS to the Audit Committee on 30 July 2020 for initial consideration in line with statutory requirements.

2.4 The Final AGS will be presented to Cabinet once the external audit of the statutory accounts is completed. Therefore, Members of the Audit Committee are requested to note the progress reported in the Action Plan.

### 3. OTHER ALTERNATIVE OPTIONS CONSIDERED

3.1 An alternative option is for Members not to note the progress in the AGS Action Plan. However, given that the AGS is one of the Statements in the Council's statutory accounts, this may not facilitate effective action and monitoring in the Council's risk management framework.

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## Community impact / Contribution to the Bury 2030 Strategy

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### Equality Impact and considerations:

24. *Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:*

*A public authority must, in the exercise of its functions, have due regard to the need to -*

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

25. *The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.*

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### Assessment of Risk:

The following risks apply to the decision:

<b>Risk / opportunity</b>	<b>Mitigation</b>
All risks are set out in the AGS.	Mitigations are set out in the Action Plan which will be monitored on a regular basis and reported to Members.

**Consultation:**

None required

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**Legal Implications:**

The productions of an Annual Governance Statement is a statutory requirement. The reports sets out the legal implications and requirements together with the action plan and particular the proposals for a review of governance and the Council's Constitution.

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**Financial Implications:**

There are no financial implications arising from the annual governance statement.

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**Report Author and Contact Details:**

Lisa Kitto

Interim Director of Financial Transformation

[l.kitto@bury.gov.uk](mailto:l.kitto@bury.gov.uk)

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**Background papers:**

1. CIPFA Statements of Professional Practice (SOPP) (including ethics)
2. CIPFA Statement of the Role of the Chief Financial Officer
3. CIPFA Statement on the Role of the Chief Financial Officer in Local Government
4. CIPFA Financial Management Code

**Please include a glossary of terms, abbreviations and acronyms used in this report.**

Term	Meaning
AGS	Annual Governance Statement

## Annual Governance Statement 2019/20

## Significant Governance Issues – Progress as at Quarter 3

Issues	Action Plan for 2020/21	Lead Officer
<p data-bbox="232 419 423 451"><b>Constitution</b></p> <p data-bbox="232 475 1126 619">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 data-bbox="232 691 1126 799">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 data-bbox="1149 475 1688 730">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 ad a timescale for delivery.</p> <p data-bbox="1149 802 1688 1058">As at of 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 implemented in 2021/22.</p>	<p data-bbox="1711 475 1962 507"><b>Marie Rosenthal</b></p>
<p data-bbox="232 1094 450 1126"><b>Action to Date</b></p> <p data-bbox="232 1150 2022 1329">A cross party Democratic Arrangements Forum has been established through which a revised Constitution has been developed. The final proposals are to be presented to Cabinet in November 2020 for implementation from January 2021. As part of this, a member training development programme has been developed and training on the new Constitution will be provided. Training on the new Constitution has also been provided to the Executive Team and Directorate Teams. The Council's website has also been updated with new corporate report templates etc.</p> <p data-bbox="232 1353 2022 1385">Further work is underway regarding a review of Contract Procedure Rules and a refreshed Scheme of Delegation. This will be</p>		

completed by January 2021.

<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 2020) to identify c£22m in savings over the next 4 years.</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>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 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>Lisa Kitto</b></p>
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**Action To Date**

The Medium Term Financial Strategy was updated and reported to Cabinet in July 2020 with a further update in October 2020.

<p>The July report set out principles for managing the in-year deficit and also set out an approach and timeline for setting the 2021/22 budget. Budget options are being developed with the Executive Team (and with member involvement) and will be reported to Cabinet in November 2020. A timetable for all key actions has been set and agreed including consultation requirements, updates to assumptions following the CSR announcements etc.</p> <p>A reserves strategy was developed and agreed by Cabinet in July 2020 and is now in operation. The quarterly monitoring reports have been updated to reflect the forecast position on reserves as part of the in-year budget monitoring and also as part of the MTF5 updates and 2021/22 budget setting process.</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 sign-off of all grant claims to be introduced.</p>	<p><b>Lynne Ridsdale/Lisa Kitto</b></p>
<p><b>Action To Date</b></p> <p>The Homes England compliance report 2020/21 was received in January 2021 and gives full assurance. The report states 'The council has complied with all of the programme requirements and a green grade has been assigned with no breaches identified'.</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 best practice. The potential of not identifying all major risks is possible.</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 framework and a 'best practice' approach will be</p>	<p><b>Lynne Ridsdale/Lisa Kitto</b></p>

	<p>implemented. First report to be presented to audit committee in July 2020.</p>	
<p><b>Action To Date</b></p> <p>A revised approach to risk management was agreed by Audit Committee in July 2020. This included an updated format for the risk registers and the Corporate Risk Register (CRR) was agreed. An updated register that takes account of Directorate risks has been developed and was presented to the Audit Committee in November.</p> <p>As the risk management framework continues to be refined, regular updates will be provided to the Audit Committee and the next one is planned for March 2021. This will set out the corporate oversight process and the process to monitor service based risks with the corporate risk register, and will include an update on the combined CRR with the CCG. The Council's Executive Team regularly review the CRR and a further workshop is planned by the end of January 2021, to further embed risk management processes.</p>		
<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>	<p><b>Lisa Kitto</b></p>
<p><b>Action To Date</b></p>		

<p>As included below in the “Internal Audit Provision” update, further refinement continues to Internal Audit processes to facilitate improvement to the assurance framework, including the awareness and knowledge of the audit assurance process by stakeholders. This will support improved internal control across the organisation. As below, work continues in accordance with the agreed improvement plan.</p>		
<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>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>An audit improvement plan has been developed and will be implemented. The external 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> <p>Capacity and skills update for the team will be considered and factored into the wider finance restructure.</p>	<p><b>Lisa Kitto</b></p>
<p><b>Action To Date</b></p> <p>The Internal Audit function continues to develop in accordance with the approved plan and the Public Sector Internal Audit Standards (PSIAS). Key achievements to date include the following:</p> <ul style="list-style-type: none"> <li>• As documented above, there have been significant developments to the process for stakeholder engagement, which also provides benefits to the audit clearance process and the ability to develop audit plans.</li> <li>• Further improvement to Audit Reports and the audit opinion, action prioritisation process.</li> <li>• Refinements to the Quality Assurance Improvement Programme (QAIP) to support further developments to audit report quality.</li> </ul> <p>Opportunities for training and support continue to be provided to the team and the Internal Audit Manager, who has commenced consideration of the 2020/21 Head of Internal Audit Opinion. The development of the 2021/22 Internal Audit Plan has commenced and will be reported to the meeting of the March 2021 Audit Committee.</p>		

<p>This development work will continue in accordance with the plan and professional standards.</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>Lisa Kitto</b></p>
<p><b>Action To Date</b></p> <p>Procurement survey has been completed and the results discussed with statutory officers. New contract procedure rules are being developed and will be launched from April 2021. As art of the development of the new rules, a draft will be presented to the Audit Committee in January 2021. Further work on the contracts register is still underway.</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</p>	<p><b>Lisa Kitto</b></p>

	Council.	
<p><b>Action To Date</b></p> <p>A full review of the capital programme has been carried out and some schemes were reduced by Cabinet in November 2021. New capital gateway groups, underpinned by new governance processes, arrangements and documentation, have been agreed and set up with the first meetings in January 2021. A review of the monitoring arrangements has been completed and new purchase to pay processes have been implemented for capital schemes to provide more accurate commitment accounting and monitoring.</p> <p>A review of the capital strategy is underway and will be presented to Cabinet and Full Council in February.</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 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>Full root and branch review of the DSG recovery plan to consider options for the future.</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>Sheila Durr/Lisa Kitto</b></p>
<p><b>Action To Date</b></p> <p>The Council is actively engaged with the DfE on a recovery and transformation plan to reduce the DSG deficit. Further updates on the work will be provided as it develops.</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</p>	<p>Full assessment of savings delivery plan and delivery through the health and social care recovery board.</p>	<p><b>Will Blandamer/Lisa Kitto/ Mike Woodhead</b></p>

financial plans of both the Council and the CCG.	Monthly updates and reporting on variances that may lead to non-delivery of plans.	
<p><b>Action To Date</b></p> <p>Budget reductions are being developed in conjunction with the CCG and are reported via the Executive Director of the One Commissioning Organisation. Monthly updates are provided to the Executive Team as part of the budget process and are reported through to the Policy Advisory Group. The following updates are highlighted:</p> <ol style="list-style-type: none"> <li>1) There is on-going oversight of the Strategic Commissioning Board;</li> <li>2) The joint Internal Audit Review of the operation of the pooled budget is due to commence.</li> </ol>		
<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>Action To Date</b></p> <p>The Council is taking part in the national initiative that is looking at fraud for the business grants. Interim results have not yet been received but will be reported to Audit Committee as and when they are available. A report regarding the progress made and the issues identified will be reported to the Audit Committee in January 2021, as part of this agenda.</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.	
<p><b>Action To Date</b></p> <p>Initial work has commenced with a HR consultant to review organisational development needs and to review HR policies. Executive Team development has been provided through North West Employers which will inform the wide transformation programme for the Council.</p> <p>In summary, the current status of these matters is as follows:</p> <ul style="list-style-type: none"><li>- External commission has been made for the Executive Team development.</li><li>- Organisational Development work stream is being developed as an integral part of internal transformation programme.</li><li>- HR policies have been re-drafted for consultation with the Trade Unions. The target implementation date is set for 2021/22.</li></ul>		

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Classification	Item No.
Open	

<b>Meeting:</b>	Audit Committee
<b>Meeting date:</b>	25 <sup>th</sup> January 2021
<b>Title of report:</b>	Draft Contract Procedure Rules
<b>Report by:</b>	Lisa Kitto Interim Director of Financial Transformation
<b>Decision Type:</b>	Non Key
<b>Ward(s) to which report relates</b>	All

## Executive Summary

This report sets out proposals for new Contract Procedure Rules (CPR) that will form part of the Council Constitution. In November 2020, Council delegated authority to agree changes to both CPR and Financial Regulations to Audit Committee. As part of the process of developing and agreeing new CPRs, the audit committee is being consulted on the latest developments, including draft proposals. This report sets out the draft proposals together with the key changes for consideration and comment by the committee. Feedback from the committee will be reflected in final proposals that will be presented back to the Audit Committee in March for implementation from 1 April 2021.

Cipfa C.Co has supported the Council in the development of the proposed rules and a short presentation will be provided to the Audit Committee to provide further detail and information.

## Recommendation(s)

That:

- Members note the content of the report and provide feedback on the new draft Contract Procedure Rules;

- Note that a presentation from Cipfa C.Co will be provided at the meeting;
- Note that the final draft Contract Procedure Rules will be presented to Audit Committee in March 2021 for final approval prior to implementation from 1 April 2021.
- Note that an implementation plan for rolling out the processes aligned to the Contract Procedure Rules will be presented to the Audit Committee in March and that this will be used to monitor progress for the 2021/22 financial year.

## Key considerations

### 1 BACKGROUND

- 1.1 Contract Procedure Rules (CPR) form part of the Council's Constitution and govern the way contracts for supplies, services and works are procured and awarded. As part of the agreed governance review it was agreed that a review of the Council's procurement processes and rules would be carried out with the intention of implementing new rules from 1 April 2021.
- 1.2 To inform this work, all managers that are currently engaged in procurement activity have been consulted. This has been carried out in two phases: an initial consultation questionnaire followed by stakeholder group meetings to feedback a number of key findings and to test some of the initial thinking. The outcome of these key pieces of work has been used to inform the draft CPRs.

### 2 RATIONALE AND SUMMARY OF PROPOSED CHANGES

- 2.1 Bury operates a mixed model of delivery with some procurement undertaken by services and the more complex, higher value procurement being undertaken by the central procurement team. In developing the new CPRs the following principles are proposed:
- **Make the procurement processes more efficient and proportionate to risk** through changing thresholds and simplifying processes;
  - **Enable services to lead on low value tenders** by simplifying tender processes and enabling procurement to support commercial and contract management activity and to work proactively with services;
  - **Bring CPR's in line with best practice across local government** and reducing complexity of processes without losing benefit of competitive tendering;
  - **Provide procurement visibility across activity and the opportunity to influence at the right time** including approval to start procurement, proactive engagement with services to develop plans and an up to corporate contracts register.
- 2.2 In order to support the implementation of the new rules, the Strategic Procurement Team will have a crucial role in building procurement skills and knowledge in line with the changes, alongside supporting officers in their decision-making across all service areas.

As part of the implementation there is a commitment to transforming the way procurement activity is undertaken and maximising the use of technology will be a key feature. It is however important to reflect on the fact that not all of this will be in place for 1 April 2021 and therefore an implementation plan will be developed against which progress can be monitored and reported to the Audit Committee.

2.3 The draft contract procedure rules are attached at Appendix 1 and the main changes are summarised as follows:

- The level at which 3 quotes are needed is proposed to increase from £1k to £10k and will reduce unnecessary bureaucracy and achieve better value for money overall for the council.
- It is proposed that the procurement service will adopt an advisory approach for low value tenders and that the work be undertaken by services. Low level tenders are anything with a value of up to £50k.
- Process for tenders up to £50k will be supported by a full procurement toolkit that will advise and support services through up to date guidance, standard templates and access to The Chest when needed.
- All tenders above £50k will be coordinated by the procurement service. This ensures professional expertise is targeted at higher risk/value contracts and used to inform the approach to market, including the appropriateness of openly advertising requirements or inviting selected bidders to tender for contracts up to Public Contracts Regulations thresholds. These are currently £189,330 for supplies and services, £663,540 for Light Touch Regime services and £4,733,252 for works and concessions. A minimum of 3 quotes will be required if an open procedure is not used.
- Specific rules relating to residential care and educational placements to reflect the legal requirement to consider individual choice. The requirement for legal to seal placement contracts is also removed.

2.4 A detailed technical document is currently being produced to support procurement and to provide advice and guidance. This will be made available to the Audit Committee in March.

### **3 CONCLUSION**

3.1 The current processes in Bury are out of date and over bureaucratic. The proposed approach will streamline processes whilst ensuring that specialist advice and support is provided by specialist staff for the highest value and highest risk tenders. The development of a toolkit will ensure that managers are fully supported and that consistent procedures are in place across the Council.

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**Equality Impact and considerations:**

24. *Under section 149 of the Equality Act 2010, the ‘general duty’ on public authorities is set out as follows:*

*A public authority must, in the exercise of its functions, have due regard to the need to -*

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

25. *The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying ‘due regard’ in our decision making in the design of policies and in the delivery of services.*

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**Assessment of Risk:**

The following risks apply to the decision:

<b>Risk / opportunity</b>	<b>Mitigation</b>
Revising CPR in this way represents a risk based approach to resource allocation. Limited professional procurement expertise will be focussed on the highest risk/highest value contracts.	Guidance and training will be put in place to ensure service based officers understand and can apply the rules appropriately. Governance controls will be strengthened through the new processes and templates to record and approve actions will be introduced. An annual review will be undertaken and findings reported to Audit Committee.

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**Consultation:**

Public consultation is not required

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**Legal Implications:**

The Council's new Constitution was approved in November 2020 and came into effect in January, albeit that certain parts including the Contract Procedure Rules were not amended at that time. The Council therefore delegated authority to agree changes to the Contract Procedure Rules to Audit Committee. This report sets out the draft proposals, together with the key changes for consideration and comment by the committee, which take into account legislative and other changes including the effects so far known of the UK's exit from the EU.

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## Financial Implications:

No direct financial implications. Better value for money should be delivered by focussing professional procurement resources on the most significant contracts.

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## Report Author and Contact Details:

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## Background papers:

Appendix 1 - Draft proposed CPR

**Please include a glossary of terms, abbreviations and acronyms used in this report.**

Term	Meaning
CPR	<b>Contract Procedure Rules</b>
CIPFA	<b>Chartered Institute of Public Finance and Accountancy</b>
The Chest	The system used by the Council (in common with all GM authorities) to advertise contract opportunities and electronically manage requests for quotation and invitations to tender.

Anticipated contract value (excluding VAT)	Procurement Route	Advertising	Evaluation	Approval	Authority to Sign Contract
Below £10,000	<p>Obtain at least one written Quotation. Where the value is less than £1,000 this can be evidenced by price list or website information.</p> <p>Managed by Service team. Advice available from Procurement.</p>	Not required.	Lowest price.	In accordance with the Scheme of Delegation within Financial Procedure Rules.	<p>Use Purchasing Card or raise a Purchase order.</p> <p>No requirement for a signed contract.</p>
£10,001 to £50,000	<p>Request for Quotation (RFQ). Obtain at least three written quotations.</p> <p>Managed by Service team.</p> <p>Advice available from Procurement.</p>	<p>Not required</p> <p>(If three providers cannot be identified, openly advertise. If openly advertised then contact Procurement to advertise on The Chest and on Contracts Finder website.</p> <p>Bury suppliers to be invited where available. Check the Bury Business Database for information.</p>	Lowest price or by exception most economically advantageous based on criteria published with the request for quotation.	<p>Complete Operational Decision form and attach copies of the quotations. Where the decision is not based on lowest price, include the evaluation model which has determined the winning bidder</p> <p>If this is a new Supplier request a New Supplier Set up form is completed and submitted to Accounts Payable. Confirm Operational Decision providing "Authorisation to Award" is in place and new supplier set up has been approved by Strategic Procurement. Retain OD with quotes Approval in accordance with Scheme of Delegation as detailed in Financial Procedure Rules</p>	<p>Purchase Order via Unit4</p> <p>and</p> <p>If the Council's Standard Contract is used then an Officer in accordance with the Scheme of Delegation</p> <p>or</p> <p>If a bespoke contract then Legal Services Authorised Signatory</p>

Anticipated contract value (excluding VAT)	Procurement Route	Advertising	Evaluation	Approval	Authority to Sign Contract
<p>£50k to PCR2015 Thresholds</p>	<p>Invitation to Tender (ITT) Obtain a minimum of 3 tender responses.</p> <p>Advice must be sought from Procurement before commencing and a "Starting a Procurement" form completed.</p> <p>Tender process using The Chest.</p> <p>A single stage ITT must be used for all contracts up to the Goods and Services threshold.</p> <p><b>Managed by Procurement</b></p>	<p>If openly advertised use The Chest system and</p> <p>Contracts Finder</p>		<p>An Operational Decision authorising the award of contract must be completed.</p> <p>then If this is a new Supplier request a New Supplier Set up form is completed and submitted to Accounts Payable. Confirm Operational Decision providing "Authorisation to Award" is in place and new supplier set up has been approved by Strategic Procurement. Retain OD with quotes Approval in accordance with Scheme of Delegation</p>	<p>Purchase Order via Unit4 and</p> <p>If the contract value is less than £100,000 and the Council's relevant Standard Conditions of Contract are used then an Officer in accordance with Scheme of Delegation</p> <p>or if the contract value is more than £100,000 or</p> <p>if a bespoke contract is used then Legal Services Authorised Signatory</p> <p>Legal proforma – instruction to award to be completed</p>
<p>Over OJEU threshold</p>	<p>Advice must be sought from Procurement before commencing and a "Starting a Procurement" form completed.</p> <p>Tender process using the Council's e-tendering system – The Chest</p> <p>An Open procedure single stage ITT to be used or by exception an alternative procedure as stated in the Public Contracts Regulations with a justification approved by the Head of Strategic Procurement</p> <p><b>Managed by Procurement.</b></p>	<p>Council's e-tendering system – The Chest</p> <p>Contracts Finder Website</p> <p>and</p> <p>Find a Tender Service</p>		<p>Contracts below £500k in value that are non-key decisions can be approved by the relevant Executive Director.</p> <p>Contracts above £500k are key decisions and delegated authority should be sought from [Cabinet] to award the contract when the evaluation is completed.</p>	<p>Legal proforma – instruction to award to be completed</p> <p>Purchase Order via Unit4</p>





Classification	Item No.
Open	

<b>Meeting:</b>	Audit Committee
<b>Meeting date:</b>	25 <sup>th</sup> January 2021
<b>Title of report:</b>	Internal Audit Improvement Plan Update
<b>Report by:</b>	Interim Director of Financial Transformation
<b>Decision Type:</b>	Council
<b>Ward(s) to which report relates</b>	<b>All</b>

#### **Executive Summary:**

This report sets out the Internal Audit Improvement Plan Update and the next steps for the service.

#### **Recommendation(s)**

##### **That:**

- Members note the current status of the Internal Audit Improvement Plan and the progress made and the next steps to ensure its completion.

## Key Considerations

### 1. BACKGROUND

- 1.1 The Council commissioned an independent high level review of 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).
- 1.2 The Final Report identified 14 key lines of enquiry and contained an Action Plan for managers. The report was presented to the Audit Committee in July 2020 and the Action Plan is attached as Appendix 1, which sets out the current status of the agreed actions and the next steps.

### 2. ISSUES

- 2.1 The independent report highlighted the need to deliver an effective compliant service within the Council but there were a number of historic, operational and cultural factors within both the team and the wider Council that inhibit the effectiveness of the team. The factors identified 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.
- 2.2 In summary there is good progress on all the agreed actions but some further work is required to fully complete some of the agreed matters. This is linked to the need to embed the required change, supported by cultural shift and the interdependency with organisational resource review.
- 2.3 As set out in the Annual Governance Statement Action Plan update report also included on this Audit Committee agenda, the Internal Audit function continues to develop in accordance with the approved plan and the Public Sector Internal Audit Standards (PSIAS).
- 2.4 At the high level, key achievements to date include the following:
  - Significant developments to the process for stakeholder engagement, which also provides benefits to the audit clearance process and the ability to develop audit plans.
  - Further improvement to Audit Reports and the audit opinion, action prioritisation process.

- Refinements to the Quality Assurance Improvement Programme (QAIP) to support further developments to audit report quality.
- Opportunities for training and support continue to be provided to the team and the Internal Audit Manager, who has commenced consideration of the 2020/21 Head of Internal Audit Opinion. The development of the 2021/22 Internal Audit Plan has commenced and will be reported to the meeting of the March 2021 Audit Committee.
- This development work will continue in accordance with the plan and professional standards.

2.5 For assistance, Appendix 1 adopts a “traffic light system” to indicate the current status of each agreed action to communicate the overall health of the project /plan health. This Blue, Red, Amber, Green (BRAG) status reporting is defined as shown in the table below/overleaf:

BRAG Status	Definition	No.	Action Summary
Blue	Action as set out is fully complete. Any next steps associated with this matter will be captured in service plans and/or corporate transformation programme.	2	<ul style="list-style-type: none"> <li>• Audit Report review complete, format to be added to Audit Manual, further staff training to be conducted.</li> <li>• Head of Internal Audit support to develop year end opinion.</li> </ul>
Amber	Active action but some matters require further attention to fully realise the benefits.	3	<ul style="list-style-type: none"> <li>• QAIP ** has been refined and will benefit from full implementation, documentation, staff training.</li> <li>• Review of agreements with Council companies is underway and further review is required.</li> <li>• Options to deliver the member/officer governance awareness / development programme to be reported to the Audit Committee.</li> </ul>
Green	Active action which is on track to be completed.	9	<ul style="list-style-type: none"> <li>• 2021/22 Internal Audit Plan requires full engagement with Directorate/service managers.</li> <li>• Role of the Head of Internal Audit to be reviewed as part of the Finance re-structure.</li> <li>• Risk based approach to the 2021/22 Audit Plan has commenced and the proposed plan will be reported to the Audit Committee.</li> <li>• This will facilitate the audit resource/skill set review.</li> <li>• Corporate Risk Register is being embedded and further work will consolidate with the CCG risk register will be finalised.</li> <li>• Consultancy days will be included in the Audit Plan in accordance with PSAIS.</li> <li>• Key performance indicators to be finalised for review.</li> </ul>

BRAG Status	Definition	No.	Action Summary
			<ul style="list-style-type: none"> <li>• LGAN self-assessment to be reported to the Audit Committee in March 2021.</li> <li>• The formal appraisal of the Head of Internal Audit will include feedback from the Audit Committee chair in 2021/22.</li> </ul>
	Active action but some delays and corrective action is being agreed.	0	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
	<b>Total Actions</b>	14	

\*\* QAIP is the Quality Assurance Improvement Programme as required by PSIAS

2.6 Therefore, further refinement continues to Internal Audit processes to facilitate improvement to the assurance framework, including the awareness and knowledge of the audit assurance process by stakeholders. This will support improved internal control across the organisation and lead to improve audit opinions.

### 3. CONCLUSION

3.1 The recommendations in the independent report identified 14 recommendations which, once implemented would facilitate significant improvement to the issues identified. However, some of the issues require cultural change, 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 continues to be committed to improving its governance arrangements. The current status of the agreed actions is show above and set out in Appendix 1. In addition to this, Internal Audit will also benefit from the wider governance review and progress is being reported to the Audit Committee on a quarterly basis as part of the routine monitoring.

3.3 In summary there is good progress on all the agreed actions and the next steps for the service have been identified and are underway.

## Community impact / Contribution to the Bury 2030 Strategy

Ensuring compliance with Financial Procedures and Policies

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## Equality Impact and considerations:

24. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

*A public authority must, in the exercise of its functions, have due regard to the need to -*

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

25. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

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## Assessment of Risk:

The following risks apply to the decision:

<b>Risk / opportunity</b>	<b>Mitigation</b>
The Internal Audit Improvement Plan sets out the potential associated with the actions.	The Internal Audit Improvement Plan sets out the actions which are considered to be the proposed mitigations.

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## Consultation:

**N/a**

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## Legal Implications

The Council must have a sound system of internal control which facilitates the effective exercise of its functions, including risk management. This is both a legal requirement and a requirement of the Financial Regulations set out in the Council's

Constitution. This report provides information on the work of the Council's Internal Audit Service, in ensuring compliance.

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## **Financial Implications**

There are no financial implications arising from this report. The work of the Internal Audit Service, however, supports the governance framework and the work on business grants has also ensured that the risk of fraud to the Council is minimised. 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".

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".

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## **Report Author and Contact Details:**

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## **Background papers:**

Annual Governance Statement 2019/2020

## **Please include a glossary of terms, abbreviations and acronyms used in this report.**

Term	Meaning
CIPFA	Chartered Institute of Public Finance and Accountancy
AGS	Annual Governance Statement
QAIP	Quality Assurance Improvement Programme as required by PSIAS
LGAN	Local Government Application Note



High Level Review of Internal Audit: Action Plan Status Report

Ref	Recommendation	Response	Deadline	Lead	Progress Report to Audit Committee		BRAG Status ***
					As at 30.09.20	As at 14.01.21	
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> <li>Identify opportunities to impact the overall control framework/governance within the Council.</li> </ul>	<p>Work was commenced to address this point. Interim Director of Financial Transformation 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>	On-going – with a view to be fully implemented by 31/03/2021.	Interim Director of Financial Transformation and Acting Head of Internal Audit	On-going.	<p>Engagement process has commenced by way of improved communication with key stakeholders to finalise current audits.</p> <p><b>Next steps:</b></p> <ul style="list-style-type: none"> <li><b>Meetings with senior managers and Departmental Management Teams (“DMTs”) to discuss role of IA, 2021/22 service based plans 2021/22, and to secure manager feedback.</b></li> </ul>	
2.	<p>Review the role of the Head of Internal Audit (HIA) 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>	<p>The role of HIA is currently under review as part of the Finance Department Restructure.</p>	TBC	Interim Director of Financial Transformation	Role currently being reviewed as part of Finance Department re-structure exercise.	<p>This is underway.</p> <p><b>Next Steps:</b></p> <ul style="list-style-type: none"> <li><b>Link to Governance review, and CIPFA’s role of the HIA.</b></li> <li><b>Develop and incorporate into Finance restructure,</b></li> </ul>	

Ref	Recommendation	Response	Deadline	Lead	Progress Report to Audit Committee		BRAG Status ***
					As at 30.09.20	As at 14.01.21	
						<p>currently underway for 2021/22.</p> <ul style="list-style-type: none"> <li>• Role accountabilities, reporting arrangements and skills to be reviewed.</li> </ul>	
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>		Interim Director of Financial Transformation and Acting Head of Internal Audit	No update reported.	<p>Under consideration for 2021/22.</p> <p><b>Next Steps:</b></p> <ul style="list-style-type: none"> <li>• <b>2021/22 Audit Plan development framework being finalised.</b></li> <li>• <b>Audit resources link to Finance restructure which is underway for 2021/22.</b></li> </ul>	
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	Interim Director of Financial Transformation.	Internal Audit Team Structure is currently under review. Audit plan developed and approved by Audit Committee using resources currently available.	<p>As 3. above, the 2021/22 Internal Audit Plan is being completed. The suite of corporate risk registers will support this assessment of risk for the audit planning process.</p> <p><b>Next Steps:</b></p> <ul style="list-style-type: none"> <li>• <b>Link to Finance restructure</b></li> </ul>	

Ref	Recommendation	Response	Deadline	Lead	Progress Report to Audit Committee		BRAG Status ***
					As at 30.09.20	As at 14.01.21	
						<p>which is underway for 2021/22.</p> <ul style="list-style-type: none"> <li>• Risk Registers are subject to regular review.</li> </ul>	
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		<p>The development of the 2021/22 Internal Audit Plan is underway. The suite of corporate risk registers will support this audit planning process.</p> <p><b>Next Steps:</b></p> <ul style="list-style-type: none"> <li>• Outcome of Risk Register workshop with Executive Team (11.01.2021), to plan further activity.</li> <li>• Assurance mapping to be conducted to develop the 2021/22 IA Plan for review by DMTs and the Council's Audit Committee in March 2021.</li> </ul>	
6.	Develop a process of quality assurance the Quality Assurance Improvement Plan (QAIP), review	Agreed.	31.3.2021	Interim Director of Financial Transformation	Interim Director of Transformation	The QAIP process requires further refinement.	

Ref	Recommendation	Response	Deadline	Lead	Progress Report to Audit Committee		BRAG Status ***
					As at 30.09.20	As at 14.01.21	
	and training that enables a rigorous challenge of findings, assumptions and recommendations to ensure that all audits deliver maximum impact for the wider Council.			and Acting Head of Internal Audit	undertakes a final review of draft reports before they are issued to the client.	Whilst some actions have already been implemented (as per the <b>AGS Action Update Report</b> ), the Acting Head of Internal Audit should document the processes and provide support and training to the IA team to facilitate change.  <b>Next Steps:</b> <b>The final stages of the QAIP review will be implemented in Q4 2020/21. This will be documented in the Audit Manual in 2021/22.</b>	
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	No update provided.	The development of the 2021/22 Internal Audit Plan is underway. The plan will incorporate appropriate consultancy activity. The suite of corporate risk registers will support this audit planning process.  <b>Next Steps:</b> • <b>Link to Corporate risk</b>	

Ref	Recommendation	Response	Deadline	Lead	Progress Report to Audit Committee		BRAG Status ***
					As at 30.09.20	As at 14.01.21	
						registers, which are being refined.	
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, Significant and Merits Attention) and it is proposed that only fundamental and significant recommendations are followed up to ensure that these have been implemented.	Actioned	Interim Director of Financial Transformation and Acting Head of Internal Audit		Completed for 2020/21 Audit Reports and to be applied for future reports.  <b>Next Steps:</b> <ul style="list-style-type: none"> <li>• Ensure that 2021/22 Audit Reports reflect the new structure, format, etc.</li> <li>• Report format will also be added to Audit Manual and to form the basis of training to the IA Team.</li> </ul>	
9.	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	Agreed. The current arrangements will be reviewed.	31.3.2021	Interim Director of Financial Transformation and Acting Head of Internal Audit	SLA Agreement is currently being reviewed.	This is underway and will be completed for 1 April 2021 with support from key stakeholders.  <b>Next steps:</b> Review 2020/21 activities, costs and the use of IA resources. Ensure support from legal colleagues to	

Ref	Recommendation	Response	Deadline	Lead	Progress Report to Audit Committee		BRAG Status ***	
					As at 30.09.20	As at 14.01.21		
	contracted work from the companies and the need to deliver assurance on behalf of the client, the Council.						<b>ensure consistency with other Council regulatory services. Review the current agreement for discussion with key stakeholders.</b>	
10.	<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</li> </ul>	<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	<p>Contact made with other GM Authorities to request details of PI’s provided to Audit Committee. Results to be analysed and compared to Bury Council PI’s and proposal of revised PI’s to be put forward via S151 Officer and Chair of Audit Committee.</p>	<p>The development of a suite of suitable PIs is underway and will be implemented for monitoring during 2021/22.</p> <p><b>Next Steps:</b></p> <ul style="list-style-type: none"> <li><b>Review PSAIS requirements, obtain feedback from other GM authorities and review reports to respective Audit Committees. Develop a suite of PIs for review by key stakeholders and approval by the Audit Committee.</b></li> </ul>		

Ref	Recommendation	Response	Deadline	Lead	Progress Report to Audit Committee		BRAG Status ***
					As at 30.09.20	As at 14.01.21	
	<p>the delivery of Plan</p> <ul style="list-style-type: none"> <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>						
11.	<p>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.</p>	<p>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.</p>	<p>Complete for 2019/20, however acknowledge continually review for the 2020/21 audit year.</p>	<p>Interim Director of Financial Transformation</p>		<p>The process to prepare the 2020/21 Annual Opinion has commenced including securing feedback and best practice feedback from CIPFA and other technical bodies.</p> <p>The Head of Internal Audit attended a CIPFA Webinar on this matter in December 2020.</p> <p><b>Next steps:</b></p> <ul style="list-style-type: none"> <li>• Report any potential issues, opinion limitations to the Audit Committee early. Draft 2020/21</li> </ul>	

Ref	Recommendation	Response	Deadline	Lead	Progress Report to Audit Committee		BRAG Status ***
					As at 30.09.20	As at 14.01.21	
						<b>Opinion for Audit Committee in May 2021.</b>	
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 (LGAN) 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	Currently reviewing the 2016 action plan.	This is underway as is now included as part of the LGAN self-assessment.  <b>Next steps: LGAN self-assessment to be reported to a future meeting of the Audit Committee, as part of the Review of Internal Audit.</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	Interim Director of Financial Transformation and Acting Head of Internal Audit	Underway.	This is underway.  <b>Next steps: • Options and next steps to be reported to the Audit Committee on 25 January 2021.</b>	
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	Interim Director of Financial Transformation	Underway.	Plans to obtain feedback for 2020/21 are underway and the process will be further developed in 2021/22.  <b>Next steps: Obtain feedback for</b>	

Ref	Recommendation	Response	Deadline	Lead	Progress Report to Audit Committee		BRAG Status ***
					As at 30.09.20	As at 14.01.21	
						2020/21 and development needs/ actions points for 2021/22.	