

**Minutes of:               AUDIT COMMITTEE**

**Date of Meeting:**    21 July 2021

**Present:**               Councillor M Whitby (in the Chair)  
                              Councillors S Butler, I Gartside, M Hayes, B Mortenson,  
                              J Rydeheard, M Smith and S Wright

**Also in attendance:**   Karen Murray – Mazars  
                              Amelia Payton - Mazars

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

**Apologies for Absence:** J Dennis and Councillor U Farooq

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**AU.1           APOLOGIES FOR ABSENCE**

**AU.2           DECLARATIONS OF INTEREST**

Councillor Steve Wright declared a personal interest in any item relating to schools in the Borough as his wife is employed at a local school.

Councillor Sam Butler declared a personal interest in any reference to Homes England as his Fiancée was employed by them.

**AU.3           MINUTES OF THE LAST MEETING**

**It was agreed:**

That the Minutes of the last meeting held on 18 March 2021 be approved as a correct record and signed by the Chair.

**AU.4           MATTERS ARISING**

There were no matters arising

**AU.5           DRAFT STATEMENT OF ACCOUNTS 2020/21**

Sam Evans, Joint Chief Finance Officer presented a briefing note setting out the unaudited Statement of Accounts for the 2020/21 financial year. The report highlights the overall financial position for the year.

Whilst there is no longer a requirement to present the unaudited accounts to Members before the external audit process commences, the Council has continued this practice as it gives Members early notification of the financial outcome of the previous financial year and is considered to be good practice.

There is a requirement to obtain certification of the accounts by the responsible financial officer, for the Council this is the Executive Director of Finance and S151 Officer.

The accounts will be available for public scrutiny from 2 August to 13 September. This will be advertised on the Council's website. The unaudited accounts will be placed on the Council's website on 31 July in line with the Government's policy of increased transparency in the public sector. And the accounts will be subject to external audit.

The style and format of the accounts is largely prescribed by the CIPFA Code of Practice (The Code). Audit Committee should assure themselves that the Narrative Report is consistent with the core financial statements.

The Statement of Accounts for Bury Council comprises of:

- A narrative statement by the Executive Director of Finance and S151 Officer
- The statement of responsibilities for the accounts
- The core financial statements, comprising:
  - The movement in reserves statement
  - The comprehensive income and expenditure statement
  - The balance sheet as at 31 March 2021
  - The cash flow statement
- The notes to the core financial statements
- The Housing Revenue Account
- The Collection Fund
- The Group Accounts

It was explained that Elected members are not expected to be financial experts, but they are responsible for approving and issuing the Council's financial statements. In doing this they are playing a key role in ensuring accountability and value for money are demonstrated to the public. However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards and also the accounting and financing regulations of central government

This covering report explains the key features of the primary statements and notes that make up the 2020/21 Statement of Accounts. The narrative statement provides further information on the key issues for the benefit of readers of the statements.

Sam explained that the narrative statement provided information on the financial statements and gave an explanation of key events and their effect on the financial statements. It was reported that the information in the narrative statement is consistent with budget information provided during the year and reconciles to the year-end financial position reported to Cabinet on 21<sup>st</sup> July 2021.

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

- Councillor Butler referred to the Government grants that had been

received in relation to COVID and asked whether this was making the accounts look better than had they not been received.

Sam confirmed that this was the case and that the Council would be working to build back the reserves that they would be using to support loss of income particularly in relation to the airport dividend.

- Councillor Butler referred to the Local Government Pension Scheme and the fact that this was a big liability and asked whether the scheme was still taking new members.

It was reported that this was the case.

- Councillor Rydeheard referred to the £12m use of reserves and asked whether this was sustainable.

Sam explained that this was not sustainable and that a 3 year programme was in place to get the Council back into financial balance.

- A question was asked with regard to the school reserves being down £21.5m through the DSG.

Sam reported that the Council was fortunate to secure funding through the Safety Valve Project with the Department for Education. This is a 4 year programme of work that would look at getting back into financial surplus by 2024/25 year end.

- Councillor Gartside explained that before consolidated reserves there were the minimum level of reserves. Councillor Gartside asked whether a minimum figure of reserves would be set in relation to risk management and the risks set out within the Risk Register.

Sam explained that this would be part of the Medium Term Financial Strategy which was one of the documents that was currently undergoing a refresh. This was due to Sam being very new to post.

- Councillor Rydeheard asked when the COVID grants would be expected to be used by.

Sam reported that the Council had up to the end of the 2021/22 financial year. Some of the grants already had commitments against them but not all were committed at the current time.

- Councillor Hayes referred to the Business Retention Pilot which allowed GM authorities to retain 100% of the business grants it collected. Councillor Hayes referred to the statement that this would change to

75% and asked if it was known when this would happen.

Sam explained that the 75% retention was initially planned to commence in 2021/2022, but this was delayed so that GM Authorities continued the 100% retention in 2021/2022. It was also explained that this was under constant review to ensure that it meets with the needs of localities.

- Councillor Gartside explained that the Council used to have Star Chambers where the heads of departments attended and were asked to account in relation to overspends.

Sam explained that this was a monthly item on the agenda at the Executive Team Meeting. There was also a Finance specific Overview and Scrutiny Committee being established.

- Councillor Rydeheard referred to the receipts from sales and assets and asked why the value was significantly higher than the forecast in this area.

Sam explained there were capital programme receipts that would be built into the reports in future but hadn't been included as yet.

- Councillor Whitby asked whether the cost of Covid would be met through government grants.

Sam stated that not all costs would be funded via grants and there would be a shortfall.

**Delegated decision:**

That the Draft Statement of Accounts be noted.

**AU.6 EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2019-20**

Karen Murray from the External Auditors Mazars presented the Committee with the External Auditor's Annual Letter. The report had been presented to the Committee at its meeting in March and this was now the final version. The report confirmed the completion of the work carried out by Mazars for the 2019/2020 audit year and had been issued following certification of the whole of Government Accounts return.

The report would be available for public access on the Council website.

Mazars had issued an unqualified opinion on the Council's accounts on the 25 March and the work on the whole of Government accounts return was completed on 21 June 2021.

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

- Councillor Gartside referred to weaknesses in the Governance arrangements and asked what the current view of the External Auditors was.

Karen reported that the work had been carried out in relation to governance arrangements, but Mazars had not been able to confirm that arrangements had been embedded in the day to day work of the Council. There was nothing that External Auditors were concerned about, and work would be carried out during the course of the 2020/2021 audit to confirm this.

**Delegated decision:**

That the report be noted.

**AU.7 EXTERNAL AUDIT PROGRESS REPORT**

Karen Murray presented the Committee with an update of the progress made by Mazars in relation to the work for the 20/2021 financial year. The report had two purposes, firstly to ensure that the audit work is on track and secondly to ensure that the Committee were satisfied with the governance of the council.

Karen reported that the External Auditors would not be able to deliver the audit work in line with the deadline of the end of September as set out in the regulations, but would be reporting back to the Committee in November.

A notice would be published on the Council website which would state that the work was ongoing, as long as this was done then the Council will have complied with its statutory duties.

As at end of June 2021 there were still 100 authorities who were waiting on their 2019/2020 accounts to be audited and work hadn't even started on their 20/2021 accounts.

Karen referred to the work that was ongoing in relation to the findings of the Redmond Review and how this would inform the audit regime going forward.

Karen also referred to other information that was provided in section two of the report that set out the guidance from the National Audit Office relating to changes in respect of the VFM that the external auditors carried out and how from 2021 the new code of practice will direct the external auditors to provide a commentary and not give a conclusion as previously.

Karen also referred to the Government Office report on the response to the pandemic and explained how this was useful as it set out the challenges that had been faced and would be faced by local authorities and S.151 Officers going forward.

The Audit Strategy will be brought to the next meeting of the Audit Committee

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

- Councillor Whitby stated that it was disappointing that the work would not be completed in the required timescales. Councillor Whitby referred to the work that had been carried out by the Council Officers.
- Councillor Gartside referred to the number of Councils that still not had their 2019/2020 audits completed.

Karen explained that there were a number of Councils that not had their 2019/2020 Audit of accounts completed which meant that work could not start on the 2020/2021 accounts. Bury were not within this group and therefore the 2020/2021 accounts would be audited but the work would be completed late.

- Councillor Gartside asked what the issues were regarding the lateness of the audit last year.

Karen explained that this was the first year that Mazars were working remotely due to the pandemic. It was also explained that the Council had agreed that they would complete the work later to enable the Council to deal with the issues highlighted the previous year.

- Councillor Gartside asked if the audit completion work should be back on track for the following year.

Karen explained that measures were in place to deal with the back log at a national level as 60% of Council's would not have their accounts audited within the timescales. Actions were in place and proposals were currently being consulted on. It was explained that it was anticipated that it would take a couple of years to get back on track.

- Councillor Rydeheard referred to the background behind the issues around the deadlines and Council's not meeting these.

Karen explained the background around this and how deadlines had been changed to assist with the work being completed.

Councillor Whitby referred to the fact that the national situation was worsening as the numbers of councils not meeting the deadlines had increased.

**Delegated decision:**

That the contents of the report be noted.

**AU.8 ANNUAL GOVERNANCE STATEMENT & HEAD OF AUDIT OPINION**

The Audit Committee were presented with the draft Annual Governance Statement and Head of Audit Opinion report.

The draft AGS is presented for an initial review by the Audit Committee and a

final document will be presented to Committee in September for recommendation for approval at Full Council later in the year.

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

- Councillor Butler referred to the training that had been provided to the Audit Committee Members at the start of the Municipal Year and asked that this be expanded upon to ensure that the Committee members received all relevant training that was available.

It was explained that the Committee would be receiving information provided by Mazars which they would find useful and that training sessions would be built into each scheduled meeting.

Sam explained that she would be holding a training workshop event in relation to Council finances and it was anticipated that this would be towards the end of September.

Councillor Whitby referred to the Audit training that she had attended which had been provided by the LGA and recommended that Members attend if it is provided again.

#### **Delegated decision:**

That the Audit Committee

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

#### **AU.9 RISK REGISTER**

It was reported that this item would be deferred to a future meeting of the Audit Committee. A review was currently being undertaken to ensure that there was consistency across the Council in relation to risk management and how it was calculated and reported.

It was explained that the report would contain details of the Council risks and the Audit Committee would be given the opportunity to carry out a 'deep dive' exercise on whichever risk the Committee identified.

#### **AU.10 INFORMATION GOVERNANCE**

Lynne Ridsdale presented a report providing an update to the Audit Committee on the work of the IGSG, the IG work programme and associated activity that has been progressed during the first quarter of 2021/22.

It was explained that Information Governance (IG) is the strategy or framework for handling personal information in a confidential and secure manner to appropriate ethical and quality standards, ensuring compliance with the relevant statutory and regulatory requirements.

It is of paramount importance to ensure that information is efficiently and legally managed, and that the appropriate policies, procedures, guidance and management accountability and structures provide a robust governance framework for information management.

IG within the Council is delivered through a distributed model of responsibility rather than through a specific or dedicated team, with key roles identified and assigned to ensure appropriate oversight and accountability. These roles include for example, the Senior Information Risk Officer (SIRO), the Data Protection Officer (DPO), Information Asset Owners (IAO) and Information Asset Managers (IAM).

The Information Governance Steering Group (IGSG) will provide assurance on IG within the Council, to the Committee through strategic and operational oversight and delivery of its wide-reaching work programme, which includes compliance with all statutory requirements and annual compliance with the Data Security and Protection Toolkit (DSPT).

The Audit Committee is responsible for providing assurance on the Council's governance (including risk and information governance) and as set out in the Council's Constitution, is required to annually review the IG requirements.

It was explained that in 2019, Bury Council invited the Information Commissioner's Office (ICO) to undertake a supportive review and audit of the Council's IG arrangements in place to ensure the organisation's compliance with the GDPR. The review was due to take place in May 2020 but was deferred due to the pandemic and rearranged for June 2021.

The report also gave updates in the following areas:

- Data Security and Protection Toolkit
- Information Governance Steering Group
- GDPR Internal Audit
- Information Governance Framework

**Delegated decision:**

That the Audit Committee:

1. Note the update provided;
2. Note the re-establishment of the IGSG and its formal reporting to the Audit Committee;
3. Approve the Terms of Reference of the IGSG; and
4. Endorse the Information Governance Framework as presented.

## **AU.11 ANNUAL INTERNAL AUDIT YEAR END UPDATE**

Janet Spelzini presented a report summarising the results of internal audit work during 2020/21 and giving an overall opinion of the Authority's control environment as required by the Accounts and Audit Regulations 2015.

It was reported that based upon the results of audit work undertaken during the year, the Acting Head of Internal Audit's opinion is that the Authority's control environment provides substantial assurance that the significant risks facing the Authority are addressed.

Members were given the opportunity to ask question and the following points were raised:

- Councillor Rydeheard asked about the grading system.

Sam explained that the Audit Committee could request the officer responsible for a specific service area attend a meeting of the committee if that service had received a report with the outcome showing a limited level of assurance.

- Councillor Whitby explained that the Committee would receive a summary of all internal Audit reports with the Audit Update reports.

### **Delegated decision:**

That the contents of the report be noted.

## **AU.12 INTERNAL AUDIT PLAN 2021.2022**

The Acting Head of Internal Audit presented a report setting out the context of the Internal Audit Service explaining the approach to the compilation of the 2021/22 internal audit annual plan. The annual plan was incorporated at Annex 1 to the report.

### **Delegated decision:**

1. That the contents of the report be noted
2. That the annual audit plan for 2021/22 be approved.

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

**(Note: The meeting started at 7.30 pm and ended at 9.00 pm)**