

Minutes of: **AUDIT COMMITTEE**

Date of Meeting: 9 January 2025

Present: Councillor E Moss (in the Chair)
Councillors S Arif, S Haroon, M Hayes, J Hook and
M Rubinstein, Bernstein and Birchmore.

Also in attendance: Councillor Eammon O'Brien, Leader of the Council, Councillor Sean Thorpe, Cabinet Member, Finance and Transformation, Karen Murray, Forvis Mazars, Lynne Ridsdale, Chief Executive, Kate Waterhouse, Executive Director, Strategy and Transformation, Will Blandamer, Executive Director, Health and Adult Care, Jacqui Dennis, Director of Law and Governance, Neil Kissock, Director of Finance and Phil Llewellyn, Democratic Services Manager.

Public Attendance: One member of the press present.

Apologies for Absence: Councillor A Arif, Councillor D Berry and Councillor I Gartside

AU.43 APOLOGIES FOR ABSENCE

The Chair welcomed all present. Apologies were received from Councillors Berry (substitute Councillor Birchmore), Gartside (substitute Councillor Bernstein) and A Arif (no substitute).

AU.44 DECLARATIONS OF INTEREST

No Declarations of Interest were submitted.

AU.45 COUNCIL'S RESPONSE TO THE STATUTORY RECOMMENDATIONS UNDER SCHEDULE 7 OF THE LOCAL AUDIT AND ACCOUNTABILITY ACT 2014

The Director of Finance, Neil Kissock, presented the report setting out the Council's response to the statutory recommendation from Forvis Mazars. They identified three significant weaknesses in the Council's arrangements. These weaknesses were across all three reporting criteria that they were required to consider under the Code of Audit Practise, namely; financial sustainability, governance and for improving the economy, efficiency and effectiveness of services.

The report set out the operating context in 2021-2023, which had been a challenging period operationally, and the steps taken during that time to construct a new operating model and multi-year transformation strategy, with the new operating model and associated corporate governance being validated in 2023 and 2024 via Corporate Peer Review by the Local Government Association (LGA)

The report also outlined the work undertaken to better understand its Financial position and over-reliance on reserves, by engaging with the Chartered Institute of Public Finance Accountants (CIPFA) and the LGA Peer Review, and the actions taken during the period.

The Risk Management approach had been strengthened through a review of the Corporate Risk Register and leadership from the Audit Committee, over-seeing the management of a number of high risk situations, including information governance and recovery of the deficit in the DSG budget High Needs Block, but issues with internal governance and control processes were exemplified through the failure to accurately identify and mitigate against the presence of RAAC in the Council's estate.

The report further outlined improvements in internal controls to shore up compliance activity, including appointment of a new Director of Finance, a peer review of the internal audit function and establishment of the Corporate Governance Group, chaired by the Council's Monitoring Officer.

In recognition of the historic weakness of its finance capabilities, a voluntary Finance Improvement Panel was established in 2023, with representation from CIPFA and the LGA to oversee the setting of the 2023/24 budget and deliver a series of improvement actions, including appointment of a substantive S151 Officer, a fundamental review of the Council's reserves policy, an update to the Treasury Management Strategy, the specification for an upgrade to Unit 4 to improve data accuracy and cleansing of the ledger and investment of Programme Management support to deliver the 23/24 budget savings. A zero-based budget exercise had been undertaken across every departmental service, and which had identified a structural funding gap of c£17m for children's social care, which was addressed in the 2023/24 budget.

Since 2021, when Ofsted had found Bury's Children's Social Care services to be inadequate, a fundamental improvement plan had been delivered, and six subsequent Ofsted monitoring visits had been completed, with a full inspection expected in the first quarter of 2025. The report referenced the work of the Project Safety Valve programme in responding to inadequate SEND services.

Whilst it was recognised that the actions and progress made were addressing some of the issues identified by the External Auditors in the value for money review and statutory recommendation, the Council recognised that more needed to be done and the actions, owners and target timelines were outlined in the action plan at Annex 1. The plan set out how the Council would respond to the recommendation issued under paragraph 2 of Schedule 7 of the Local Audit and Accountability Act 2014. The plan focussed on financial sustainability, governance and finance service capacity, and the plan provided a comprehensive Council-wide Improvement Plan, which reflected the transformational and cultural changes needed to ensure the Council could deliver the range, level and quality of services it deemed appropriate and within its statutory responsibilities in a financially sustainable way.

The report set out the identified actions in terms of financial resilience, including ongoing budget work and a strategy to develop the next phase of budget work, with a focus on four themes – income, non-statutory service transformation, contain growth/demand pressures and a focus on health and care.

In terms of governance, six new assurance boards would be established, to ensure that there was a culture of compliance across the Council. The Boards would meet on a monthly basis and be chaired by a member of the Executive Leadership Team. Other governance improvements included a revised leadership structure to embed compliance, revised Personal Development Reviews (PDR's) which would include a section to establish whether compliance actions had been carried out, and an emphasis on the importance of internal compliance and control arrangements.

Identified actions relating to finance capacity included implementation and recruitment to a new finance structure to address capacity issues and upgrade of the Unit 4 ERP Financial Management System, which represented a significant financial and operational transformation.

The report noted that in terms of Children's Services, two detailed improvement plans were already in place, and oversight of the preparation for the forthcoming Ofsted full reinspection and the work of the Children's Improvement Boards would now report to the Corporate Assurance Board and Member Assurance Group.

The Chief Executive stressed her personal commitment to the improvement plan, and that of the Executive Leadership Team, and wanted to offer assurance around the work to be done, emphasising that there would be no dodging of issues and a clear focus on the improvements to be delivered. The Chief Executive highlighted some of the improvements already made, referencing the work of the Finance Improvement Panel, production of a Reserves Strategy, and commission and transformation of Unit 4. Management of risks was key, as was the need to be proactive.

The Chief Executive highlighted the progress made since 2021 in terms of Children's Services, improvements identified following each monitoring visit by Ofsted ahead of the forthcoming full reinspection, and a 30% uplift to the budget and the work of the Improvement Board and improvements agreed relating to PSV.

The Chief Executive referenced a focus on a culture of compliance, to ensure better internal controls and improved risk management, and expressed disappointment about how the RAAC situation had been managed and mitigated, advising that all but one site had been fully assured and that the one site referred to was only down to a technicality. Reference was made to the improvement work which has already been undertaken and validated by the LGA Peer Review reports at Appendix 2 and 3 of the report submitted. The focus on a culture of compliance would include improvements to PDR's, improved service plans, the work of the improvement boards, and the financial improvement plan to deliver the budget and tackle the deficit.

The Leader noted the focus on consistency and compliance, and referenced the important role of Members in the process to provide oversight, challenge and scrutiny, to ensure assurance, advising that a Member Assurance Group would be established to carry out thematic deep dives to get assurance on outcomes, and that when appropriate, would report to the Audit Committee and step down once assurance had been achieved. The Leader also advised and Cllr Thorpe and himself would offer to attend Audit and Scrutiny meetings as appropriate.

Councillor Thorpe highlighted the move towards outcome based evaluation, the need to deliver a balanced budget without the use of reserves and for the Council to become financially sustainable. A holistic approach to risk was required, and accountability at all levels. Councillor Thorpe indicated that he was confident that the right approach had been identified, but this would need constant evaluation.

Members of the Committee had submitted questions in advance of the meeting

Councillor Bernstein welcomed all he had heard, and felt this was a really positive direction, but asked that the Member involvement referred to by the Leader be referenced in future reports, and noted the need for PDR's to improve, including the need for the improvements in the number undertaken. In terms of the sign off of the Improvement Plan, Cllr Bernstein felt that October 2025 may be too soon, and that perhaps during the 2026/27 may be a better time if the Council had moved away from the reliance on reserves.

Neil Kissock advised that October 2025 was the target date, but that this wasn't the end of the process, and that February 2026 would be a key date in terms of the two year plan. Councillor Thorpe, whilst noting the need for more take up of PDR's, stressed the need for a focus on them being effective, as opposed to purely trying to improve the percentage undertaken. Councillor Arif asked questions relating to the role of External Audit and who would sign off the Action Plan, with Karen Murray advising that it was the Council's plan, and that the emphasis on a culture of compliance was important, with timing less important than impact, so as part of their work, External Audit would be monitoring and making sure action were followed up, and also stressed that reserves could be used to deliver specific things, rather than plugging gaps, and it was recognised that there may be issues ahead that were not foreseen, such as demand pressures. External Audit would report back each year in the Value for Money report, it was important that a culture shift could be identified as part of this work, and reference was made to the need for accountability for all via PDR's. The Leader referenced the need for a focus on follow ups of Internal Audit reports and that the deep dives he referred to would help start the culture change. In terms of sign off of the Plan, Jacqui Dennis advised that it was for the Committee to sign off and subsequently for Council to note the plan.

Councillor Hook made comments/asked questions relating to the end date of the improvement plan, with Neil Kissock advising that February 2026 was a key date, and that there would be a dedicated agenda item on each Audit Committee Agenda from April 2025 onwards. Councillor Hook in response to a query on zero based budgeting was advised by Neil Kissock that this would be an annual process, including benchmarking and would be a root and branch look at each budget. In terms of questions on Phase 1 and Phase 2 relating to Finance Capacity, Neil Kissock advised that Phase 1 was a strategic level, to build capacity and get the right structure in place, with permanent members of staff, whereas Phase 2 was a full service review including improves to Unit 4, which would be the subject of a report at February Cabinet.

Councillor Hook also referred to the action plan and the approach to secure action to improve services to children, and was advised that robust Improvement Plans were already in place for this area, with an Ofsted inspection imminent, and additionally Children's Services would feed into the Governance and Assurance Board, and there were also established two Improvement Boards as well as overview and scrutiny, and PSV.

The Chair asked how and when would the Audit Committee review progress on the Action Plan, and it was confirmed that there would be a standing agenda item at each meeting, and the important role of the Audit Committee and of Overview and Scrutiny was noted, and the importance of alignment of business.

The Chair noted the responsibility of the new Governance and Assurance Board for monitoring progress on the implementation of the recommendations in Internal Audit Reports and enquired about the role of the Audit Committee, and was advised that the Member Assurance Group would also be involved in the process, and there would need to be changes to the circulation of the reports to enable this. The Audit Committee would still receive these reports.

The Chair noted the reference to the development of the Audit Committee referred to in the documents, and it was advised that this included the recruitment of two new Independent Co-opted Members and external training at the April meeting.

The next point referred to by the Chair related to whether there would be Value for Money report from Forvis Mazars for 2023/24, and if so how different would it likely to be from the 2021/23 report?

Karen Murray advised that there had not been a lot of elapsed time, so progress against weaknesses would be reflected, but there would not be comments on Financial Statements, as it would not be a full audit, commentary would reflect on outcomes and impact. Neil Kissock

advised that work towards the 2025/26 Budget was underway and it was hoped that a report would be submitted to the next Audit Committee.

The Chair referred to the risk for RAAC sitting under three owners in the Risk Register, and lack of one owner and also referred to the lack of one central asset register. This was acknowledged, with the Chief Executive advising that this was under review and would sit under one person, and Neil Kissock advised that work on a central asset register was under way, which was a key priority that Executive Director of Place was leading on.

The next question related to 2023/24, where Internal Audit had to amend the original Audit Plan, and defer several planned audits into 24/25, and whether the Committee could expect at the February meeting a revised Audit Plan for 2024/25, deferring planned audits into 25/26? Neil Kissock indicated that a report would be submitted to the meeting in February on this matter and highlighted the importance of completion of Follow Up reports.

The Chair enquired whether a report would be submitted on the upgrade to Unit 4 to the Cabinet in February, which would be two or three months later than envisaged, and was the implementation date since April 2026? Neil Kissock confirmed a report would be presented in February and confirmed the April 2026 target date.

The Chair asked Committee Members for any further questions or comments. Councillor Hayes commending the positive progress highlighted, but raised concerns about staff being overwhelmed by the new direction and priorities and how this would be addressed.

The Chief Executive, in response, referenced demands post Covid and budget pressures, and highlighted the role of the new Boards and the need to refresh the Corporate Plan to sit behind the budget, with performance tracked and a focus on PDRs.

There being no further questions or comments, the meeting moved to the recommendations in the report and following discussion, it was agreed that the recommendations be amended to ensure the report/action plan referenced the Member Assurance Group, and also that the implementation date of the improvement plan be amended to February 2026.

It was agreed:

That the Audit Committee:

- 2.1 Note the issues raised by the external auditors and progress made since 2021 to mitigate highlighted risks.
- 2.2 Accept the auditors statutory recommendation and to deliver an organisational improvement plan.
- 2.3 Endorse the proposed action plan, with the addition of reference to the Member Assurance Group and revised implementation date for the plan of February 2026 and recommend adoption to Council. Agree inclusion on the work plan for the Audit and Overview and Scrutiny Committees respectively ensuring Member oversight of delivery of the action plan.

COUNCILLOR E MOSS
Chair

(Note: The meeting started at 7pm and finished at 8.20pm)