

Minutes of: AUDIT COMMITTEE

Date of Meeting: 13 March 2018

Present: Councillor J Mallon (in the Chair)
Councillors D Jones, D Silbiger, Sarah Southworth, R Walker,
S Walmsley, Whitby and S Wright

**Also in
attendance:**

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

Apologies for Absence: Councillor S Nuttall

AU.421 DECLARATIONS OF INTEREST

Councillor Mallon 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 High School.

Councillor Sarah Southworth declared a personal interest in any item relating to Six Town Housing as she is a Member of the Board of Directors. She also declared a personal interest in any item relating to Persona as her husband's accountancy business has been awarded the contract to audit Persona.

Councillor Jones 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.

Councillor Whitby declared a personal interest in any item referring to Bury Blind and Partially Sighted People and Communic8te Bury as she was a member of both.

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.

All Councillors declared personal interests in relation to any matters relating to schools of the Borough due to their roles as Councillor Governors.

AU.422 MINUTES OF THE LAST MEETING

That the Minutes of the last meeting held on 5 December 2017 be approved as a correct record and signed by the Chair.

AU.423 FINANCIAL MONITORING REPORT - APRIL 2017 TO DECEMBER 2017

The Head of Head of Financial Management presented a report from the Interim Executive Director of Resources and Regulation updating Members of the Committee on the Authority's financial position in line with the Committee's Statement of Purpose to 'provide independent scrutiny of the authority's exposure

to risk and the control environment'. The report focussed on the revenue budget, balance sheet, procurement activity and the minimum level of balances.

The report indicated that the Authority is projecting an overspend of £1.838m for the year based on spending and income information as at 31 December 2017.

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

- Councillor Whitby referred to non achievement and delayed achievement of cuts and asked what action was being taken in relation to these.

Andrew explained that the Executive Directors regularly reviewed the savings options within each of their directorates and where non achievements were being reported other savings were being considered. Where delayed achievements were being reported work was continuing to achieve these.

- Councillor Walmsley referred to the shortfall reported in relation to properties and car parking and asked what work was being done to reduce the shortfall in these areas.

Andrew explained that this covered empty rental properties within the Millgate shopping centre and at Bury Business Centre and Bradley Fold, it was also explained that income had reduced from other rental properties due to lower rental charges. The income from car parks was reviewed and a report relating to all of the council owned car parks was due to be taken to the next meeting of the Overview and Scrutiny Committee at its next meeting in April.

- Councillor Silbiger referred to the figures set out in the report relating to increase in debtors from quarter 2 and asked for an explanation for the figures.

Andrew reported that he would update the Audit Committee in relation to this.

- Councillor Walker referred to the income shortfall set out in relation to Communities and Wellbeing and asked how much of this related to written off social care charges.

Andrew stated that he would pass this query onto the Interim Executive Director of Communities and Wellbeing for a response.

Delegated decision:

That the contents of the report be noted

AU.424 QUARTERLY GOVERNANCE STATEMENT

The Head of Financial Management submitted a report presenting a quarterly update on the Annual Governance Statement following the approval of the Annual Governance Statement on 20 July 2017. The report covered the areas of risk

management, business continuity, budget monitoring, the work of Internal Audit, Governance Panel and sickness absence.

Appended to the report was the revised Corporate Risk Register and informed Members of the risk event and status. It was explained that the Risk Register had been updated to reflect the most current high level risks facing the organisation.

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

- Councillor Walmsley referred to the Corporate Risk Register and the ongoing welfare reforms in relation to the implementation of Universal Credit and asked if the Council were aware and prepared for detrimental financial implications from this.

Andrew stated that he would ensure that the Committee received an answer to the concerns raised by Councillor Walmsley.

- Councillor Jones referred to the Corporate Risk Register and the way that risks were colour coded. Councillor Jones stated that he felt that the way the register was set out didn't accurately portray the level of some of the risks.

Andrew explained how the raw risk was recorded in relation to the mitigation set out allowing the raw risk to be managed down to the residual risk score which was where the colour code was placed.

- Councillor Silbiger referred to the sickness days recorded and asked why the sickness figures for Communities and Wellbeing were higher than that recorded for the other departments.

Andrew explained that this would likely be due to the nature of jobs within that department. Andrew stated that he would ask for a breakdown to be produced for the next meeting of the Audit Committee.

Delegated decision:

That the report be noted.

AU.425 ANNUAL REPORT ON GRANTS AND RETURNS 2016-17

Jerri Lewis representing KPMG presented a report summarising the results of work carried out on the Council's 2016/17 grant claims and returns. This included the work completed under the Public Sector Audit Appointment certification arrangements, as well as the work completed on other grants/returns under separate engagement terms. The work completed in 2016/17 was explained:

- Under the Public Sector Audit Appointments arrangements one claim was certified
- The Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £50.8million.

- Under separate engagements reports were issued on two returns as listed below.
- Teachers Pensions EOYCa Return; and
- Pooling of Housing Capital Receipts Return

Work was carried out on three grants and returns: one was unqualified with no amendment; one required a report of 3 exceptions in 3 procedures; and one was unqualified but required some minor amendment to the final figures.

The fees for the work on other grants/returns were set out within the report and it was explained that they are agreed directly with the Council. The fees for 2016/17 were increased for inflationary costs compared to 2015/16.

Delegated decision:

That the report be noted.

AU.426 EXTERNAL AUDIT PLAN 2017/2018

Rob Jones from KPMG presented a report setting out the work KPMG were undertaking. The audit has two key objectives, requiring KPMG to audit/review and report on the Councils:

Financial statements :

Providing an opinion on the Council's accounts. The Annual Governance Statement and Narrative Report are also reviewed and reported by exception on these; and

Use of resources:

Concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (the value for money conclusion).

It was explained that the audit planning process and risk assessment is an on-going process and the assessment and fees in the plan will be kept under review and updated if necessary. Any change to identified risks will be reported to the Audit Committee.

Delegated decision:

That the report be noted.

AU.427 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.428 2018/2019 INTERNAL AUDIT CHARTER AND 2018/2019 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

Andrew Baldwin presented a report setting out the Internal Audit Charter and; Quality Assurance and Improvement Programme.

It was explained that the Public Sector Internal Audit Standards (PSIAS) had come into force on 1 April, 2013.

These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.

A report was presented to Audit Committee in December 2013 outlining the details of the Standards.

Two of the Standards relate to:

- Internal Audit Charter;
- Quality Improvement and Assurance programme including an External Assessment.

One of the requirements of the Standards is to produce an Internal Audit Charter that defines the purpose of Internal Audit, its responsibilities and position within the Council. The Charter acts as a reference for measuring the effectiveness of Internal Audit.

The PSIAS provide details of how the Charter should comply with the Standards.

Amongst others, these include:

- Recognition of the mandatory nature of the PSIAS;
- Internal Audit's responsibilities, objectives and independence including accountability, reporting lines and relationships and arrangements for avoiding conflict of interest in non-audit activities;
- Definitions of the scope of Internal Audit activities, the terms 'board' and 'senior management' and the role of Internal Audit in counter fraud work;
- The role of Audit Committee and statutory officers with regard to internal audit;
- Internal Audit's remit across the control environment and rights of access to records, assets, personnel and premises.

It is also a requirement of the Standards that the Internal Audit Service produces a Quality Assurance and Improvement Programme (QAIP) that is designed to provide reasonable assurance to Audit Committee members that the Internal Audit Service:

- Performs its work in accordance with the Internal Audit Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
- Operates in an efficient and effective manner;
- Contributes to the Council's governance, risk management and control processes;

- Is adding value and continually improving Internal Audit's operations.

The QAIP includes both internal and external assessments for which the internal assessments are both ongoing and periodic (e.g. team briefings, supervision, review of working papers) and the external assessment must be undertaken at least once every five years. The initial self assessment against the Standards was undertaken in 2013 and this was also reported to Audit Committee in December 2013.

A copy of the updated QAIP for 2018/19 was attached to the report.

PSIAS require that an external assessment of the Council's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside the organisation. This can be in the form of a full external assessment or a self-assessment with independent external validation.

The internal audit service of Bury Council was externally assessed in October 2016 by a peer review process that was established by the North West Chief Audit Executive's Group and the trial report was issued in December 2016 with details of the findings. The recommendations relating to the findings have all been implemented.

A copy of the updated Internal Audit Charter for 2018/19 was attached to the report and this has been updated in 2017/18 to take account of the feedback from the external assessment of the service carried out by Peer Review.

Delegated decision:

1. That the Audit Committee approve the updated Internal Audit Charter.
2. That the Audit Committee approve the Quality Assurance Improvement Programme.

AU.429 INTERNAL AUDIT PLAN 2018/2019

The Head of Financial Management presented a report setting out the proposed activities of the Internal Audit Section for the coming 2018/19 financial year.

The report and the attached appendices set out the overall strategy for producing the plan, dealing with the issues and risks and ultimately identifying the audit work to be carried out in 2018/19.

Progress reports will be submitted during the year and an Annual Report will be presented following the completion of the 2018/19 financial year.

- Councillor Silbiger referred to the work that the Audit team carried out in relation to fraud and asked whether the amount of days was sufficient and what the return was on carrying out the work.

Andrew explained that the Audit team carried out work relating to fraud as and when required and also undertook work to ensure that systems and protocols were in place and being used to prevent fraud. Andrew also reported that there

was a dedicated self-funding fraud team within Housing Benefit that undertakes work in relation to fraud investigation.

Delegated decision:

That the Audit Committee endorse the plan for 2018/2019

AU.430 INTERNAL AUDIT PROGRESS REPORT

The Head of Financial Management submitted a report briefing the Committee Members on the work being carried out currently by Internal Audit in line with the Annual Audit Plan 2017/2018.

Details of work undertaken and Audit Reports issued were included in the report with significant issues highlighted. This included work carried out against the approved plan, detailing final reports issued since the last Audit Committee meeting and a suite of performance indicators.

Delegated decision:

That the contents of the report be noted

AU.431 MEMBERS' FEEDBACK

The Head of Financial Management submitted a report providing feedback to Committee Members in the form of responses to specific issues raised in relation to Audit Reports and queries. This included; details of cash transactions on large cash transactions and by providing follow-ups to audit that had been revisited since the Audit Committee meeting in December 2017.

Councillor Sarah Southworth asked that a report giving an update on properties be brought to a future meeting.

Delegated decision:

That the contents of the report be noted

COUNCILLOR J MALLON
Chair

(Note: The meeting started at 7.00 pm and ended at 8.25 pm)