

Minutes of: AUDIT COMMITTEE

Date of Meeting: 26 February 2019

Present: Councillor M Whitby (in the Chair)
Councillors M Hayes, T Rafiq, R Walker, S Walmsley and
S Wright

**Also in
attendance:** Karen Murray – Mazars
Justine Ogden - Mazars

Public Attendance: One member of the press was present at the meeting.

Apologies for Absence: Councillor S Nuttall, Councillor D Silbiger and Councillor
Sarah Southworth

AU.371 DECLARATIONS OF INTEREST

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.

AU.372 MINUTES OF THE LAST MEETING

It was agreed:

That the Minutes of the last meeting held on 20 November 2018 be approved as a correct record and signed by the Chair.

AU.373 EXTERNAL AUDIT STRATEGY MEMORANDUM

Karen Murray, Director and Engagement Lead, Mazars LLP, Bury's External Auditors, presented a report setting out Mazars Audit Strategy Memorandum for Bury Council for the year ending 31 March 2019.

The document summarised the audit approach, highlighted significant audit risks and areas of key judgements and provided the Audit Committee with details of the Mazars audit team.

The report set out the audit scope, approach and timeline and outlined the procedures that will be performed at different stages of the audit.

The audit approach was explained as being a risk based approach. A risk assessment will be completed which will help to develop the audit strategy and design audit procedures in response to the assessment.

Materiality thresholds were detailed and it was explained how these were set and monitored in relation to Bury Council. To comply with International Standards on Auditing (UK) it was explained that three types of audit differences would be reported to the Audit Committee;

- Summary of adjusted audit differences;

- Summary of unadjusted audit differences; and
- Summary of disclosure differences (adjusted and unadjusted)

The report included the approach to Value for Money and a summary of the work that will be undertaken to reach a conclusion;

- Risk assessment
- Risk mitigation work
- Other procedures

The Significant Value for Money risks were explained and it was reported that for the 2018/2019 financial year two significant risks had been identified for inclusion ;

- Working with partners and third parties: governance and risk management;
- Sustainable Resource Deployment: financial resilience.

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

- Councillor Hayes referred to materiality and asked that this be explained.

Karen explained that the Council had millions of pounds worth of assets and Mazars have to decide where to draw the line between a misstatement or error that is that is big enough to matter or not big enough to be immaterial was where the materiality threshold came in. The overall materiality threshold for the Council is set at £11.7m and the trivial threshold is £353,000.

Andrew Baldwin explained that it was very rare that errors were identified that were higher than the materiality threshold but any that were found by either the external auditors or by the Council itself, were corrected.

Delegated decision:

1. That Karen be thanked for her attendance at the meeting
2. That the contents of the report be noted.

AU.374 FINANCIAL MONITORING REPORT

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 £2.608m for the year based on actual spending commitments and income information as at 31 December 2018.

Andrew explained that the Authority's financial position is continually monitored throughout the year;

- monthly by service management teams, Senior Leadership Team and the Cabinet Member for Finance and Housing.
- Detailed quarterly corporate monitoring reports based on the position at June, September, December and March (year-end) are considered by the Senior Leadership Team, the Cabinet, Joint Cabinet/SLT meetings and the Overview & Scrutiny Committee.

It was also explained that Executive Directors were a lot more accountable for their own budgets, particularly since the Local Government Association review of finance earlier in the year.

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

- Councillor Walker referred to the procurement activity set out in the report and asked where the cashable procurement savings were being achieved.

Andrew explained that some of this would be where contracts have come to an end and had been renegotiated at a more favourable cost or service.

Councillor Whitby asked that the Head of Strategic Procurement be invited to the next meeting of the Audit Committee to explain the procurement activity indicated in more detail.

- Councillor Wright referred to the table at 3.11 of the report and the note attached comparing the sector benchmark of 0.75% for return in investments. Councillor Wright asked what the sector benchmark was for % cost of borrowing.

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

- Councillor Hayes referred to the General Fund Balance and the forecasted available balance and asked how this was calculated.

Andrew explained that the minimum level of balances to be retained based on a risk assessment of potential unforeseen circumstances, was deducted from the starting balance, as was the forecast overspend, which then left the forecasted available balance at year end.

- Councillor Walker referred to the 'Golden Rules' and asked how flexible the rules were.

Andrew explained that the Golden Rules related to issues such as maintaining a minimum level of balances, using reserves as one offs only, pressures and savings assessed on a 3 year basis and how the general fund balance is managed. The Golden Rules state that the use of reserves to support the on-going revenue budget must be in the short term only and supported by a robust strategy to address underlying pressures in the Council's cost base.

- Councillor Rafiq referred to the number of Bury suppliers invited to bid for and being awarded contracts being less than the last year and asked why this was.

Andrew explained that the report provided information at month 9 whereas the figures that Councillor Rafiq was referring to were for a full 12 month period.

Delegated decision:

That the contents of the report be noted.

AU.375 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 17 July 2018. 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 Walker referred to the Corporate Risk Register and the statement that there was currently no reliance being placed on reserves and asked about this statement being included.

Andrew explained that that was the position at the time that the risk register was produced but since then the one off use of some dormant earmarked reserves had been approved by Council to help balance the 2019/2020 budget.

Delegated decision:

That the report be noted.

AU.376 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.377 2019/20 INTERNAL AUDIT CHARTER; 2019/20 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 2019/20 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. This was undertaken in October 2016 and the findings were reported to the Audit Committee in March 2017 with all recommendations having been implemented.

A copy of the updated Internal Audit Charter for 2019/20 was attached to the report.

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.378 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 2018/2019.

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.379 INTERNAL AUDIT PLAN 2019/2020

The Head of Financial Management presented a report setting out the proposed activities of the Internal Audit Section for the coming 2019/20 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 2019/20.

Progress reports will be submitted during the year and an Annual Report will be presented following the completion of the 2019/20 financial year.

Delegated decision:

That the Audit Committee endorse the plan for 2019/2020

AU.380 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.

Delegated decision:

That the contents of the report be noted

COUNCILLOR M WHITBY
Chair

(Note: The meeting started at 7.00 pm and ended at 8.15 pm)