

Auditor's Annual Report

Bury Council – year ended 31 March
2021

March 2022



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Section 01: **Introduction**

1. Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Bury Council (‘the Council’) for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 14 January 2022. Our opinion on the financial statements was unqualified.



Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office in respect of our work on the Council’s WGA submission. We are unable to commence our work in this area until such instructions have been received.



Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council’s arrangements. Two significant weaknesses in arrangements were identified resulting in related recommendations.



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Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council’s financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 14 January 2022 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Our Audit Completion Report, presented to the Council’s Audit and Governance Committee on the 12 January 2022, provides further details of the findings of our audit of the Council’s financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit.

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Section 03:

Commentary on VFM arrangements

3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses. We did not identify any risks of significant weaknesses through our work on Value for Money arrangements.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. On the following page we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	10-12	No	No
Governance	13-17	Yes	Yes
Improving economy, efficiency and effectiveness	18-19	Yes	Yes

3. VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>1</p> <p>Ofsted Inspection: Children's Services In December 2021 Ofsted issued a report following its inspection carried out between 25 October and 5 November 2021 on the Council's Children's Social Care Services. The inspection report concluded that the overall effectiveness of the Council's services is inadequate.</p> <p>These matters indicate a risk of significant weaknesses in proper arrangements.</p>	<p>Work undertaken We reviewed the Council's response to the Ofsted inspection and resulting report. This included reviewing the:</p> <ul style="list-style-type: none">• draft action plan the Council has developed following the inspection and on receipt of the final report;• additional internal oversight arrangements established by the Council to develop the action plan and to address the areas for improvement identified by the Ofsted <p>Results of our work Notwithstanding the Council's response to date, in our view, the matters identified within the Ofsted inspection report represent a significant weakness in the Council's governance arrangements and in its arrangements for improving economy, efficiency and effectiveness in services. A summary of the significant weakness in arrangements identified and the supporting recommendation for improvement are provided on page 20.</p>
<p>2</p> <p>Weaknesses in Internal Control Our 2020/21 Audit Completion Report highlighted several issues including the poor quality of the draft accounts submitted for audit and the significant difficulties encountered during the audit process.</p> <p>Additionally, internal control weaknesses have been highlighted by both Internal Audit and the Information Commissioners Office (ICO), resulting in several limited assurance internal audit reports and an ICO investigation report with 79 recommendations.</p> <p>These matters indicate a risk of significant weaknesses in proper arrangements.</p>	<p>Work undertaken We reviewed the Council's response to the findings of External Audit, Internal Audit and the ICO. This included reviewing the:</p> <ul style="list-style-type: none">• 'lessons learnt' report in response to the 2020/21 External Audit findings and recommendations;• the closedown plan for the 2021/22 Statement of Accounts and audit process;• the management response and planned actions to address the Internal Audit significant control recommendations;• The Information Governance Improvement Plan. <p>Results of our work Notwithstanding the Council's response to date, in our view, the matters identified with respect to weaknesses in internal control represent a significant weakness in the Council's governance arrangements. A summary of the significant weakness in arrangements identified and the supporting recommendation for improvement are provided on page 21.</p>

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to Bury’s operating environment in 2020/21

Bury entered the 2020/21 financial year as the first national lockdown began and the Council immediately faced a significant operational impact to respond to the range of challenges presented by the pandemic. As part of the national response to Covid-19, central government made a series of policy announcements, a number of which have impacted on local authorities such as Bury. The Council was at the forefront of efforts to protect local residents, including the most vulnerable, and to support local businesses.

Some of the government’s initiatives to respond to the covid-19 pandemic were supported by additional funding for the Council, and as a result, Bury received significant additional funding in the form of government grant for 2020/21. The Council received £36.4m in covid related grants during the 2020/21 financial year, £10.5m of which were carried forward as an earmarked reserve for covid related spend in 2021/22.

A dedicated business support team was set up during the pandemic, which administered more than £30m in local business grants through the various Local Restrictions Support Grants, Additional Restrictions Grants, closed business lockdown payments, and Restart Grants schemes. The Business Rates team also paid out £40m in small business and retail grants between April and September 2020.

2020/21 Financial performance

We have undertaken a high level analysis of the audited financial statements, including the Movement in Reserves Statement and the Balance Sheet.

The Council's balance sheet has remained relatively stable when compared to the prior year. The £10.1m decrease in cash and cash equivalents (£21.1m 2019/20; £11.0m 2020/21) is offset by an increase of £17.0m in long-term and short-term debtors (£90.1m 2019/20; £107.1m 2020/21). Altogether, the Council's total assets have remained stable with a slight increase from £749.5m as at 31 March 2020 to £752.8m at 31 March 2021. However, the Council's net assets have decreased from £211.7m as at 31 March 2020 to £127.9m as at 31 March 2021.

The most significant change in the balance sheet relates to movements in the Council's share of the pension fund net liability (being a deficit position) of £356.6m, up from £250.5m in the prior year. It is not unusual to see material movements in the net pension liability and this is consistent with our experience at other local authorities. The deficit position is typical across the sector.

The Council's useable reserves have increased from £85.0m at 31 March 2020 to £181.7m at 31 March 2021. This includes an increase in General Fund & Earmarked Reserves to £156.8m (up from £59.6m the previous year). The increase is partly due to the £21.4m adjustment to transfer the Dedicated Schools Grant (DSG) deficit from the general fund to the DSG adjustment account (unusable reserve) as part of the Government's new arrangement for a statutory override that can be applied in the 2020/21, 2021/22 and 2022/23 financial years.

The Council's reserves provide some mitigation against future financial challenges. However, the Council will need to ensure that any use of reserves to smooth the financial position over the next few years is properly planned. This is because the use of reserves cannot be relied on to provide a long term solution to funding gaps.

Financial planning and monitoring arrangements

In February 2020 the Council set a balanced budget for the 2020/21 financial year. The total net budget for Council services was approved at £164.9m with an increase in Council Tax of 3.94% (including 2% Adult Care precept). Throughout the year the Council regularly updated it's budget forecast, this enabled budgets to remain up-to-date in the fast-changing and uncertain operating environment of the pandemic.

Bury reported its revenue outturn position for the 2020/21 year as an overall underspend of £13.6m. £10.5m of the underspend was a planned reduction in the contribution to the pooled fund in 2020/21, since an additional contribution, to the same value, was made in 2019/20 as part of a strategy to access additional funding for the CCG. As a result of an audit amendment, the final underspend position changed to £10.4m for the year. We have considered the arrangements in place in respect of budget management as part of the Governance criteria on page 14.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria (continued)

During the year the Council reported its financial position to Cabinet four times. We have reviewed a sample of the reports presented for 2020/21. These contain appropriate detail of the significant variances to budget and provide an update on the delivery against savings targets. They also contain appropriate information on the delivery of the approved capital programme, including explanations for both over and under spends against the budget profile. At the end of the 2020/21 financial year, £1.6m of the £4.2m savings plan was not delivered.

Arrangements for the identification, management and monitoring of funding gaps and savings

The Medium Term Financial Strategy (MTFS) is a four year plan which sets out the resources available to deliver the Council’s overall commitment to provide services that meet the needs of people locally and that represent good value for money.

A key part of the MTFS is to highlight the budget issues that need to be addressed by the Council in each of the years covered. This includes assumptions to allow forecasting of the level of available resources from all sources together with the budget pressures relating to both capital and revenue spending. It also assesses the adequacy of reserves and provisions held for past events which may impact on the Council’s resources.

The Council’s 2020/21 budget was set to remove ongoing reliance on short term and one-off reserves funding, to ‘rebalance’ budgets to where the funding was needed, remove historic savings targets that were unachievable and these were replaced with savings options that had been robustly challenged and were considered achievable at that time. As a result, the 2020/21 financial year, whilst challenging, was considered to be deliverable. However, it was significantly affected by Covid and this is likely to impact for some time to come.

The quarter 3 finance report for 2021/22 shows that of the £8.1m of planned savings included in the 2021/22 revenue budget, £6.462m are forecast to be delivered with the remaining £1.594m requiring further investigation. The biggest single programme is the £1.5m Council-wide transformation programme and whilst schemes are progressing in terms of mobilisation, it will be 2022/23 before they deliver their full year effect. At quarter 3, the forecast shows £525k of schemes and mitigations will be delivered in 2021/22 leaving a shortfall of £975k against the original plan.

As part of the MTFS the Council had considered 3 planning scenarios and would be working to a mid-range scenario which suggested that a financial gap of £77m over the next 4 years would need to be addressed. To manage the gap, Cabinet agreed that this would be a combination of reserves, budget cuts and efficiencies through transformation. The savings gap identified in the MTFS, after efficiency proposals, service reduction proposals and planned use of reserves for 2022/23, 2023/24 and 2024/25 are £0, £6.9m and £4.0m respectively.

Arrangements and approach to 2021/22 financial planning

At the start of the 2021/22 budget setting process Cabinet received and approved a financial planning document and financial framework within which its 2021/22 budget was to be developed and which would form the basis of the budget for future years. In providing this framework, it was recognised that there were still some significant uncertainties, particularly with the funding assumptions for future years which remain unknown largely due to the fact that local authorities continue to work with one year only settlements.

The framework set out key dates in the budget setting process for 2021/22 and future financial years which sees Cabinet consider initial savings options in November so that the budget scrutiny process can begin in November by Overview and Scrutiny. In January Cabinet review and consider the final savings proposals along with the capital programme proposal. Final budget scrutiny by Overview and Scrutiny is timetabled for January, ahead of the final budget sign off by Council in February. The setting of this timetable formalises arrangements and increases the robustness of Member consideration and scrutiny of the budget and associated savings proposals ahead of the final budget report being presented to full Council. This timetable was followed in 2021/22 with the budget being signed off by full Council on 24 February 2021.

To manage the budget gap identified, Cabinet agreed that this would be a combination of reserves, efficiencies/budget cuts and efficiencies through transformation. The following principles were also agreed by Cabinet in October 2020:

- Managers urged to reduce requests for additional funding and asked to seek to manage downwards the costs in their 2020/21 budgets;

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria (continued)

Arrangements and approach to 2021/22 financial planning (continued)

- Consideration for investment to be prioritised towards those activities and schemes that generate savings in the current and future years;
- Policy-led approach to identifying savings by applying a set of consistent principles to prioritisation and savings;
- Services tasked with identifying savings from key themes that have previously been identified including the work of the Health and Care Sustainability Recovery Board.

The budget for 2021/22 was approved at the February 2021 Council meeting. We have reviewed the 2021/22 budget papers and confirmed the budget assumptions are sensible, realistic and properly applied.

Dedicated Schools Grant (DSG) Deficit

As at 31 March 2021 the DSG Deficit in the Council’s accounts stood at £21.4m. This deficit value was £1.9m behind the agreed recovery plan position in the Safety Value Project forecast agreed with the Department for Education in January 2021. This fall behind the plan was driven by a significant number of unplanned out of borough placements, predominantly due to special schools being full, and additional demand generated because the Council was starting to address a backlog in EHCP assessments.

As a result of these pressures the Council has undertaken a case-by-case analysis of all significant placements. Using this assessment the Council has reforecast demand for the next four years and mapped this against existing and planned provision. This information has then been used to arrive at a new forecast used to revise the recovery profile.

After building in the increase in the High Needs Funding block announced on 16th December 2021 and the programme of savings identified, the revised profile shows that the deficit can be recovered by 31 March 2025.

Bury continues to have a higher proportion of Education, Health & Care Plans (EHCPs) than national and statistical neighbours (currently 4.1% compared to a national average of 3.7%). In addition, stakeholder feedback consistently identifies a lack of early identification in need. This indicated that the long term success of the programme requires transformational change across the system.

The governance of the Safety Value programme sits within the wider partnership arrangements for children and young people in Bury. It includes extensive engagement with Bury2gether, the parents’ representation group. The Council are also working with other groups of families who prefer to be involved separately. Regular briefings are held with the Cabinet, the lead member and councillors. The Council is also working closely with Schools through the Schools Forum and High Needs Funding sub-group, which is in addition to regular communication through existing programme meetings between Council Officers and Headteachers.

There is an established delivery tracker which sets out the actions planned against each workstream, together with a monthly timeline. Each workstream is linked to financial, quality and performance objectives. . A risk log has also been established with the top risks identified for closer attention and decisions about mitigation or escalation. Reports on each workstream and the risk log are provided through the governance arrangements to the Safety Value transformation board every two weeks. Copies of the risk log, delivery tracker and financial plan have been reviewed which demonstrates the robustness of the processes in place, the documents contain a sufficient level of detail to enable Council Officers to make robust and clear decisions.

Based on the above considerations we are satisfied there is not a significant weakness in Bury’s arrangements in relation to financial sustainability.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management and monitoring arrangements

Risk management arrangements are in place at the Council and risk registers are maintained at both a Corporate and Directorate level. In late 2019, a revised Risk Management Strategy was introduced, which reinforced the use of a 5x5 matrix (the quantitative measure of risk – impact / consequence score) and provided some descriptors of risk to aid quantification of both impact and likelihood. However, due to Covid-19 the strategy was not fully rolled out in line with the initial plan. Since June 2020, significant work has been undertaken to implement a robust approach to risk management across Bury Council, commencing with the introduction of the framework which has been rolled out across all directorates.

During the course of the 2020/21 year, work has been undertaken to consolidate risks across the Council and then between the Council and the CCG to ensure the consistency of approach and model. All departmental risks are now collated, monitored and managed from a single repository, the corporate risk register. There is however a need to continue to embed risk management in services and to ensure that risk is considered at all times.

Each department maintains and updates its own risk register, which then feeds into the Council-wide corporate risk register. We have reviewed an example register and confirmed it is sufficiently detailed to allow for effective risk management. Each risk has an assigned risk owner and a risk score based on the likelihood and impact matrix. Where mitigating actions are identified they are also assigned an owner(s) to ensure there is appropriate accountability. This allows for effective oversight of the risks.

The risk register is presented to, and discussed by, the Executive Team throughout the year, to provide the Council’s senior leadership team with oversight of the key risks faced by the organisation. The risk register is also presented to the members of the Audit Committee periodically. The Audit Committee are responsible for ensuring that risk management arrangements are in place and are regularly reviewed to ensure they are working effectively. From our attendance at these meetings, we have seen Members challenge the scores and key risk management activities to gain assurance about the effectiveness of the arrangements in place.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, Bury has a team of internal auditors, led by the Acting Head of Internal Audit. The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by the Audit Committee prior to final approval. However, due to covid-19, the 2020/21 Internal Audit plan was not approved by the Audit Committee at the start of the financial year. The plan was reviewed to reflect the Council’s changed circumstances and approved by the Audit Committee in June 2020.

The audit plan is based on an assessment of risks the Council faces and is determined to ensure there is assurance on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. The plan also takes into account those areas which have not recently been subject to audit. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are presented to each Audit Committee meeting. These include an update on all internal audit reports issued since the previous meeting and any changes required to the annual internal audit plan. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. To further strengthen the arrangements in place, during the 2021/22 year, the Audit Committee have brought in a new arrangement in relation to limited assurance reports which requires the relevant Head of Service to attend the Audit Committee to explain the actions put in place following the internal audit review. This arrangement allows members to hold the service areas to account and also allows for more robust challenge.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (Continued)

Risk management and monitoring arrangements (continued)

At the end of each financial year the Head of Internal Audit provides an opinion based on the work completed during the year. For 2020/21 the Head of Internal Audit concluded that the Authority's control environment provides substantial assurance that the significant risks facing the Authority are addressed. However, as at the end of November 2021, of the 25 reports which have been issued to Members since the beginning of the financial year seven were provided only limited assurance. The reports with limited assurance include the main financial systems including creditors, debtors, cash and bank and the main accounting system. These reports highlight fundamental control weaknesses. We have reviewed these reports and consider that they represent a significant weaknesses in the Council's internal control arrangements.

Throughout the year we have attended all Audit Committee meetings. Through attendance at these meetings we have confirmed that the committee receive regular updates on both internal audit progress and risk management in the form of risk registers. We have seen active member engagement from the audit committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

Arrangements for budget setting and budgetary control

In developing the budget strategy for both 2020/21 and 2021/22 the following principles and key outcomes have been considered by the Council:

- Ensuring the objectives and outcomes of the Bury 2030 corporate plan are supported;
- Ensuring the council's finances are robust and prudent particularly given the current economic uncertainties and the potential changes to the funding system in future years;
- Provide capacity into the corporate core of the organisation to ensure plans are deliverable and fully supported.

Budget monitoring is the responsibility of budget managers with the support of the Finance team. Each budget has a named budget manager and responsibilities are clear. Financial reports are produced on a monthly basis and regular meetings are held to discuss progress against the financial forecasts. Significant variances against budget are investigated and directors are required to identify and agree the corrective actions to be taken here the individual budgets are at risk.

Decision making arrangements and control framework

Bury has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Council's Code of Corporate Governance, the Governance Framework, the Constitution and scheme of delegation.

Annual Council in May 2020 agreed to commission a review of the Bury Constitution as a matter of priority. The Council Constitution was subsequently reviewed and updated, the revised Constitution was discussed and approved by full Council in November 2020. Members have agreed that the Constitution would be reviewed annually to ensure that the changes proposed as a result of the review were fit for purpose. A further review and revision has been carried out since the 2020/21 year end, with the revised Constitution being approved by Council members in November 2021.

Further to the review of the Constitution, the governance refresh in 2020/21 also included: an update to corporate procurement regulations; a refresh of the council's risk register; and an improvement plan for information governance and major focus on staff training compliance.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (Continued)

Audit of the 2020/21 Statement of Accounts

Draft accounts were received from the Council on 2 August. However, the draft accounts were not prepared to the required quality standard and contained a number of significant internal inconsistencies. This indicates the draft statements had not been subject to an appropriate quality control review by the Finance Team before they were made available on the Council's website for public inspection.

Once our audit commenced, it became clear the working papers and supporting information required to support the audit were not always available. Furthermore, we initially experienced significant delays in receiving information and responses to queries from the Finance Team. This is disappointing given the progress the Finance Team had made in the previous year to improve the arrangements for the closedown and preparation of the financial statements.

During the course of the audit we encountered a number of significant difficulties including:

- The Council's in-house valuer was unable to provide any evidence to support the £251.1m valuation for council dwellings included in the statements. We were told the supporting records were lost although it is unclear how such a loss could have occurred. The Director of Finance needed to commission an external valuer to re-perform the valuation in order to ensure the accounts were materiality correctly stated with regard to these properties.
- The Council used an external valuer to provide valuations of the Council's non-HRA operational land and buildings. The initial valuation report provided to support the work done included an error in the split of values between land and buildings. The valuer had to provide a revised valuation report to correct this.
- During our testing of the Council's asset valuations we identified a number of assets that had been classified as investment properties but which were actually operational assets. It is unclear how or why these assets had been reclassified to investment properties in the fixed asset register

- Note 3 to the accounts provides an analysis of income and expenditure by nature. This note did not reconcile to the income and expenditure included Comprehensive Income and Expenditure Statement by £72.8m.
- In 2020/21 central government provided for a statutory override to be applied to remove the deficit balance on the Council's Dedicated Schools Grant from the Council's usable reserves and to reclassify this in unusable reserves. This "ring-fencing" of the deficit within unusable reserves improves the Council's overall financial sustainability. Management did not apply the statutory override in the draft financial statements.

The significant issues identified in our 2020/21 external audit indicate a weaknesses in the Council's internal control arrangements.

As part of our Audit Completion Report presented to Audit Committee in January 2022 we outlined 8 internal control recommendations: 3 high priority; 4 medium priority; and 1 low priority. On receipt of the recommendations the Director of Finance has completed a full 'lessons learnt' exercise and prepared a report for the Audit Committee to outline how the issues identified in the 2020/21 external audit will be addressed.

In January 2022 a new substantive Deputy Director of Finance and an experienced Interim Chief Accountant started work at the Council which strengthens the capacity within the Finance Team. By having more capacity in these senior roles the Council can ensure there is appropriate management oversight and review of the final accounts process. A detailed closedown timetable has been drafted which includes a breakdown of over 400 tasks, details of who is responsible for each task and the date by which it should be completed. The closedown plan clearly includes an appropriate level of management review at various stages of the process, including two final reviews of the draft accounts to be undertaken by the Director of Finance and the Deputy Director of Finance prior to publication.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (Continued)

Regulators

We reviewed the regulatory reports issued in respect of the Council.

Information Commissioners Office (ICO)

The ICO published a report in August 2021 following a data protection audit carried out at the Council in June 2021. The report by the ICO makes 79 recommendations which have also been categorised by level of priority as follows: 7 urgent; 24 high priority; 37 medium priority; and 11 low priority. The scale of the findings from the ICO report represents a significant weaknesses in the Council's internal control arrangements.

In November 2021 a paper was taken to Audit Committee which set out the detailed improvement delivery plan to address these issues. The plan included key dates for actions and detailed those already completed. Although significant process has been made in line with the improvement delivery plan, as at February 2022 some elements of the “urgent priority” ICO recommendations have not been fully implemented.

Care Quality Commission (CQC)

The CQC has rated all three of the CQC registered services provided by Bury Council as “Good”. All three services received the ‘good’ rating across each of the five CQC inspection areas of: Safe; Effective; Caring; Responsive; and Well-led. The Rapid Response Service was last inspected by the CQC in August 2019 and the Falcon & Griffin Extra Care Scheme has it’s latest inspection in August 2017.

The Choices for Living Well service which provides accommodation for persons who require nursing or personal care was inspected by the CQC in August 2021. The inspection report noted “*Despite the challenges presented by COVID-19, staff remained focused on this and afforded everyone the best possible opportunity to return home or to suitable alternative accommodation*”.

OFSTED

The most recent full inspection of Children’s Services by OFSTED was carried out between 25 October and 5 November 2021. The service was assessed as “Inadequate”, with the following ratings over the 4 inspection areas:

Judgement	Grade
The impact of leaders on social work practice with children and families	Inadequate
The experiences and progress of children who need help and protection	Inadequate
The experiences and progress of children in care and care leavers	Requires improvement to be good
Overall effectiveness	Inadequate

The headline findings in the OFSTED report noted “*There are serious failures which leave too many children at risk of harm in Bury.*” OFSTED also reported that since the last focused visit, in October 2020, the quality of practice has deteriorated, there has been significant instability in the senior leadership team, and there has been a lack of focus on the areas of improvement needed.

In July 2021 the Council had commissioned a peer review of Children's Services which appropriately identified a number of the improvements also identified in the Ofsted report. The peer review led to the establishment of an Improvement Board. However, at the time of the Ofsted inspection the Improvement Board was very new and had not brought about the level of change required. The appointment of new interim senior leaders in September 2021 has provided opportunities for improvements to be actioned, but these had not yet become effective by the time of the Ofsted inspection.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (Continued)

OFSTED (continued)

Following the publication of the Ofsted report, the Improvement Board arrangement was strengthened. It is now chaired by an independent advisor appointed by the Department for Education. The Improvement Board first met on 25 January 2022 to approve its Terms of Reference and membership. It also received a report setting out the progress of the improvement plan. This plan is organised around 3 key themes: leadership and management, quality and impact of practice on the outcomes for children, and workforce. A separate workforce board has been established to provide input from staff to the Improvement Board.

The Children and Young People’s Scrutiny Committee on 20 January 2022 considered the Ofsted report and the report on the Council’s response. It will meet again in March to discuss the draft improvement plan. This final improvement plan will be submitted to Ofsted by 31 March in line with the Department for Education’s improvement notice deadline. Any feedback from the Department will then brought to the Improvement Board for consideration.

The Council has made available finances to invest into Children’s Services in order address remedial action required. This investment has been used to recruit extra staff, in order to reduce caseloads which will support improvement in the quality of practice. Extra managed teams have also been commissioned by the Council to support staff by immediately addressing capacity issues.

The “inadequate” rating from Ofsted following their inspection indicates a risk of significant weaknesses in proper arrangements.

We have identified a significant weakness in arrangements against the governance reporting criteria as a result of the matters arising from:

- 1) The Ofsted’s inspection of Children’s Services;
- 2) The 2020/21 External Audit of the Statement of Accounts, significant internal control deficiencies identified by Internal Audit and the findings from the ICO report.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Performance Management

The “Let’s Do It!” Corporate Plan was published in October 2020 and set out the four priority areas of work across Bury Council and CCG for the next two years as follows:

- Containing COVID-19 – (Emergency Response and Recovery)
- Delivering the emerging Bury 2030 strategy
- Financial sustainability
- Internal transformation

Progress against the Council & CCG Corporate Plan is reported to Cabinet on a quarterly basis. The Council’s Performance Management Framework sets out how the progress against the Corporate Plan is managed and reported on. The framework starts with departmental performance monitoring against a set of agreed measures, the departments each measure performance and activity against the measures within their own departmental processes. Each department has a plan for delivery of priorities which monitor success, issues and risks. The departmental performance monitoring feeds upwards into the Directorate Business Plans and the Corporate Plan. The top level of the Performance Management Framework measures progress against outcomes by tracking the Council’s performance against seven core outcome measures as set out in the Corporate Plan document.

We have reviewed a sample of the Corporate Plan delivery update reports presented to Cabinet which evidence the performance management framework. The update reports to Cabinet contain appropriate information on both performance against high level outcomes, for example “Improved quality of life”, and performance against more details KPIs such as sickness absence. The report also shows the trend in the KPI performance compared to the previous performance report to allow Members to more easily interpret the performance management information.

Partnerships and Commissioning

The Council has undergone significant organisational change during the 2020/21 year as it brings together two separate organisations to deliver joined up and integrated delivery models that support joint commissioning and outcomes. The Bury Council and Bury CCG Corporate Plan 2020-22 sets out delivery priorities and performance measures that will guide the work of the partnership. The corporate plan describes how the Council and CCG will deliver its contribution to the “Let’s do it!” ten-year strategy for Bury, which seeks to guide recovery from the local impact of the Covid-19 pandemic and set the strategic direction for longer term growth and prosperity.

An Inclusion Working Group has been established during 2020/21 which comprises of the Council, CCG and other Team Bury partners and including staff, political and clinical leaders. The working group has a focus on implementing the new Inclusion Strategy following an independent equalities review commissioned by the partnership.

The Council is open to considering all options to deliver services. This means it commissions from other organisations where it is appropriate, and where it can achieve the same or better outcomes at reduced cost. The Council actively seeks to commission jointly with other public service agencies where possible.

During the 2020/21 year the contracts register has been reviewed and updated and the contract procedure rules has also been updated as part of new constitution. Procurement has been transferred to the Finance function to ensure procurement and finance are aligned. There are also ongoing improvements in procurement efficiency and strategy including social value included in corporate transformation programme 2021-23.

Additionally, the Council works closely with the companies within the Council Group:

- Bury MBC Townside Fields Limited: A company set up to develop Townside Fields including Q Park, 3KP, Townside Fields, Premier Inn and the NHS Building.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria (Continued)

Partnerships and Commissioning (continued)

- Townside Fields Management Company: This is a company in which Bury MBC owns a third of the shareholding which was set up to facilitate the development of Knowsley Place.
- Six Town Housing: An Arm’s Length Management Organisation to provide housing provision across the borough. During 2020/21 the Council has significantly strengthened performance management arrangements and reporting with STH including agreement of a set of Key Performance Indicators and establishment of a Partnership Board chaired by the Cabinet Member for Housing and underpinning Growth and Performance Committees.
- Persona: A Local Authority Trading Company established to provide a number of adult social care services.

We have identified a significant weakness in arrangements against the economy, efficiency and effectiveness reporting criteria as a result of the matters arising from the Ofsted’s inspection of Children’s Services.

3. Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements		Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
1	<p>Ofsted Inspection: Children's Services</p> <p>The most recent full inspection of Children's Services by OFSTED was carried out between 25 October and 5 November 2021, the service was assessed as "Inadequate". The Council was already aware of the improvements required to the service due to an internally commissioned peer review. However, the short time between the peer review and the Ofsted inspection meant these improvements had not yet been made. The issues highlighted in the peer review carried out in June and July 2021 indicates that there were issues within Children's Services within the 2020/21 year.</p> <p>Following the publication of the Ofsted report, the Improvement Board, initially established following the peer review, was strengthened and is now chaired by an independent advisor appointed by the Department for Education. The Council have drafted an improvement plan for the service which will be submitted to Ofsted by 31 March 2022 in line with the Department for Education's improvement notice deadline.</p> <p>The Council recognises that a failure to address the weaknesses identified in the Ofsted report could adversely impact upon the safety of children. In our view this is indicative of a significant weaknesses in the council's arrangements in relation to the governance and improving economy, efficiency and effectiveness reporting criteria.</p>		●	●	<p>We recommend the Council puts in place robust arrangements to ensure the actions identified in its improvement plan are being delivered on time and are having the required impact on the quality of service provided to, and the safety of, children in the Borough.</p>	<p>There is evidence the Council was aware of the challenges in its Children's Services. Work to identify the actions needed to improve the service was underway before the Ofsted inspection.</p> <p>Since the report, the Council has continued to work identify all of the actions needed and to prepare an improvement plan. However, it is too soon to know if these actions are delivering the necessary outcomes.</p> <p>The Council took urgent action to ensure there are robust governance arrangements in place, including an independently chaired Improvement Board.</p> <p>The Council has made invested in recruiting extra staff, in order to reduce caseloads which will improve the quality of practice. Extra managed teams have also been commissioned by the Council to support our staff by immediately addressing capacity issues.</p>

3. Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

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Identified significant weakness in arrangements		Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
2	<p>Weaknesses in Internal Control</p> <p>Our 2020/21 Audit Completion Report highlighted several issues including the poor quality of the draft accounts submitted for audit and the significant difficulties encountered during the audit process because of problems with underlying records. The issues identified affected significant balances within the draft accounts published by the Council, such as Property, Plant and Equipment and the Dedicated Schools Grant (DSG) deficit.</p> <p>Additionally, internal control weaknesses have been highlighted by both Internal Audit and the Information Commissioner’s Office (ICO). Internal audit reports with limited assurance include the main accounting system, creditors, debtors and cash and bank.</p> <p>In our view, the totality of the issues identified indicate a significant weakness in relation to the governance reporting criteria.</p>		●		<p>With reference to the weaknesses in internal control identified, the Council should ensure it has arrangements in place for strengthening and maintaining the adequacy and effectiveness of the internal control framework.</p>	<p>In January 2022 a new substantive Deputy Director of Finance and an experienced Interim Chief Accountant joined the Council. This has strengthened the capacity within the Finance Team. This should support the Council in taking the necessary actions to improve internal controls.</p> <p>The Director of Finance has completed a full ‘lessons learnt’ exercise and prepared a report for the Audit Committee outlining how the issues identified in the 2020/21 external audit will be addressed.</p> <p>Although significant progress has been made in addressing the matters raised by the ICO report, some parts of the urgent priority recommendations have not yet been fully implemented.</p>

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers tailor as appropriate where powers have been used.

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 did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in July 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:.

Area of work	2019/20 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£89,882	£89,882
Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes as a result of changes in regulatory expectations	£17,250	£17,250
Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; ISA570 (Revised) Going Concern; and ISA 600 (Revised): Specific considerations – audit of group financial statements	-	£2,000
Other additional costs: 2020/21 additional fees relate to additional work carried out by the audit team and additional audit supervision required due to the quality of the draft accounts submitted for audit and the lack of supporting working papers and evidence, in particular in the following areas PPE (additional council dwellings valuation, PPE asset classification issues, material adjustments to depreciation and disposals); leases; and group accounts.	£7,250	£36,525
Additional work arising from the change in the Code of Audit Practice and additional work required relating to VFM significant weaknesses identified	-	£20,000
Total fees	£114,322	£165,657

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

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