



INFRASTRUCTURE,
GOVERNMENT AND HEALTHCARE

**Report to those
charged with
governance
2008/09**

**Bury Metropolitan
Borough Council**

22 September 2009

AUDIT

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This report is addressed to the Authority and has been prepared for the sole use of the Authority.

We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees, who is the engagement partner to the Authority, telephone 0161 246 4063, email trevor.rees@kpmg.co.uk who will try to resolve your complaint. Trevor is also the national contact partner for all of KPMG's work with the Audit Commission. If you are dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Investigation Officer,

Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421

Scope of this report

The Audit Commission's Code of Audit Practice (the Code) requires us to summarise the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified and we report to those charged with governance (in this case the Audit Committee) at the time they are considering the financial statements. We are also required to comply with International Standard on Auditing (ISA) 260 which sets out our responsibilities for communicating with those charged with governance.

This report meets both these requirements. It summarises the key issues identified during our audit of Bury Metropolitan Borough Council's ('the Council's') financial statements for the year ended 31 March 2009. In addition, this report summarises our assessment of the Council's arrangements to secure value for money in its use of resources.

A summary of all reports we have issued in the year is set out in Appendix 8. Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Summary of findings

Use of Resources

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required to conclude whether the Council has adequate arrangements in place to ensure effective use of its resources. This assessment draws on the findings from the new use of resources assessment framework introduced by the Audit Commission and our work in relation to the risks identified in our Audit and Inspection Plan.

The new use of resources framework assesses local authorities against three themes: managing finances, governing the business and managing resources. The Council has been assessed overall as performing adequately against these themes.

Based on this, we have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our findings are detailed in Section two of this report and our proposed conclusion is set out in Appendix 1.

Financial statements

The Council is responsible for having in place effective systems of internal control which ensure the regularity and lawfulness of transactions, to maintain proper accounting records and to prepare financial statements that present fairly its financial position and its expenditure and income. It is also responsible for preparing and publishing an Annual Statement of Governance with its financial statements.

Our findings are detailed in Section three and our proposed opinion on the accounts is presented in Appendix 4.

Status of the audit

At the date of this report our audit of the financial statements is substantially complete subject to the resolution of the following issues:

- agreement of the accounting treatment for possible equal pay payments the Council may have to make;
- review of the Council's financial standing as a result of the above mentioned equal pay issue; and
- final checks of the financial statements for rounding differences and other presentational amendments.

Given the expected timing of receipt of supporting information we require to gain assurance on the equal pay issues this is likely to delay our audit opinion until October 2009.

Once we are in a position to issue our audit opinion we will require a signed management representation letter. We have provided a draft version as Appendix 10.

Executive summary (continued)

Declaration of independence and objectivity

In relation to the audit of Bury Metropolitan Borough Council for the year ending 31 March 2009, we confirm that there were no relationships between KPMG LLP and Bury Metropolitan Borough Council, its directors and senior management and its affiliates that may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 9 in accordance with ISA 260.

Exercise of other powers

We have a duty under section 8 of the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to our attention in order for it to be brought to the attention of the public. In addition we have a range of other powers under the 1988 Act. We did not exercise these powers or issue a report in the public interest in 2008/09.

Certificate

We are required to certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice. If there are any circumstances under which we cannot issue a certificate, then we are required to report them to you and to issue a draft opinion on the financial statements.

At present there is one outstanding issue which may cause us to delay the issue of our audit opinion and certificate of completion of the audit.

Fees

Our fee for the audit is £289,000. This has been contained within the fee agreed with you in our audit plan. We have not performed any non-audit work.

Acknowledgements

We would like to take this opportunity to thank officers and members for their continuing help and co-operation throughout our audit work.

Use of resources

We are required to conclude whether the Council has adequate arrangements to ensure effective use of its resources. This assessment draws on the new use of resources assessment framework introduced by the Audit Commission our work in relation to the risks identified in our Audit and Inspection Plan.

The new framework assesses local authorities against three themes: managing finances, governing the business and managing resources and the Council has been assessed as performing adequately against these themes.

Based on this, we concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Introduction

In our *Annual Audit and Inspection Plan 2008/09* we outlined the work streams which we complete to assess the adequacy of your arrangements which ensure that your resources are deployed effectively. Our conclusion is based on these work streams, our cumulative audit knowledge and any specific local risk work, as detailed below.

The new use of resources assessment

The Audit Commission introduced a new assessment this year. This assesses how well organisations are delivering value for money and providing sustainable outcomes for local people. This new assessment forms part of the Comprehensive Area Assessment (CAA) framework. It defines use of resources in a broader way than previously, embracing the use of natural, physical and human resources. It also places a new emphasis on commissioning services for local people. This is wider than the previous assessment which focused on systems and processes. As a consequence it is not possible to make direct comparisons with the previous year's assessment.

The assessment is based on three Key Lines of Enquiry (KLOEs) themes which cover:

- **Managing finances** - focusing on sound and strategic financial management;
- **Governing the business** - focusing on strategic commissioning and good governance; and
- **Managing resources** - focusing on the effective management of natural resources, assets and people.

The scoring of the themes ranges from one (performing inadequately) to four (performing exceptionally).

Findings

We have assessed the Council as an overall score of level two which means the Council is performing adequately.

The table below shows our Use of Resources assessment across the three themes.

KLOE	Theme Score
1 – Managing finances	3
2 – Governing the business	2
3 – Managing resources	2

The scores have been quality checked by KPMG's national quality control processes, through a local area based challenge process and nationally by the Audit Commission to ensure consistency in scoring with other auditors and authorities.

Appendix 2 sets out our detailed findings from the use of resources assessment.

Use of resources (continued)

Other work

If we identify specific risks at the Council which may impact on our value for money conclusion, we are required to perform additional work to meet our responsibilities under the Code.

Our initial risk assessment was included in our *Annual Audit and Inspection Plan 2008/09*.

We identified the following areas for further review:

- Capital Programme management
- Capital developments
- Adult Care Services
- Commissioning
- Pay and grading
- Workforce planning
- Freedom of Information

We have issued separate reports to the Council detailing our findings from the Capital Programme management, Freedom of Information and Adult Care Services reviews.

Our findings in relation to the remaining areas are summarised below:

Capital developments – The Council has a number of ongoing large-scale capital schemes. During 2008/09 and 2009/10 the Council has had to make changes to its intended plans on these schemes. The Council has reported these changes to Executive and we have held ongoing discussions with officers, contributing our thoughts around governance, best value and legality as appropriate. There are no issues arising which have adversely impacted on our value for money conclusion.

Commissioning – This work is currently ongoing. This is a joint piece of work taking place across the Council and Bury Primary Care Trust. We will report our findings from this review at a future Audit Committee.

Pay and grading – The Council has undertaken a large programme of work in relation to the implementation of a new pay and grading scheme. The details of the scheme have been reported to the Executive and we have reviewed the progress and impact of the new scheme. There are no issues arising which have adversely impacted on our assessment of the Council's use of resources.

Workforce planning – The Council is developing its workforce planning arrangements. A report has been taken to Management Board, which details the work streams required to be addressed. The report identified key actions, however it did not identify the people responsible for taking these actions forward. Workforce planning will be considered as part of the use of resources assessment in 2010, so the Council should ensure the ownership of key actions in relation to workforce planning is agreed in order to achieve accountability. Progress should be reviewed on a regular basis.

Use of resources (value for money) conclusion

We are required to give an annual conclusion on the adequacy of the Council's arrangements to ensure effective use of its resources. This is the use of resources or value for money (VFM) conclusion

For 2008/09, the KLOEs for the scored use of resources assessment directly map to the criteria for the VFM conclusion. The Audit Commission has specified which of the KLOEs will form the relevant criteria for the VFM conclusion and these are summarised in Appendix 3.

Based on our use of resources assessment and relevant local risk work set out above, we conclude that the Council has appropriate arrangements in place to ensure the effective use of its resources. Our proposed conclusion is set out in Appendix 1.

Financial statements

The Council is responsible for having effective systems of internal control to ensure the regularity and lawfulness of transactions, to maintain proper accounting records and to prepare financial statements that present fairly its financial position and its expenditure and income. It is also responsible for preparing and publishing an Annual Statement of Governance with its financial statements.

We have noted an improvement in the quality of the accounts and the supporting working papers and the level of adjustments is less than in previous years.

We have identified no issues in the course of the audit that are considered to be material.

Our work is continuing in relation to one issue. Subject to this outstanding issue being resolved, we anticipate issuing an unqualified audit opinion, however this may not be until October 2009.

We will also report that the wording of your Annual Statement of Governance accords with our understanding

Introduction

Our financial statements work can be split into four phases.

Stage	Tasks	Timing	Completed
Planning	<ul style="list-style-type: none"> • Updating our business understanding and risk assessment • Assessing the organisational control environment • Issuing our accounts audit protocol 	December 2008 to February 2009	✓
Control evaluation	<ul style="list-style-type: none"> • Reviewing the accounts production process • Evaluating and testing controls over key financial systems • Review of internal audit 	March to April 2009	✓
Substantive testing	<ul style="list-style-type: none"> • Planning and performing substantive work • Evaluating the accounts production and audit process • Concluding on critical accounting matters • Identifying audit adjustments • Reviewing the Annual Governance Statement 	July to August 2009	✓
Completion	<ul style="list-style-type: none"> • Declaring our independence and objectivity • Obtaining management representations • Reporting matters of governance interest • Forming our audit opinion 	September 2009	-

This report focuses on the substantive testing and completion stages.

Financial statements (continued)

Substantive testing – accounts production and audit process

As part of our use of resources assessment we assess the Council's process for preparing the accounts and its support for an efficient audit. We considered these against three criteria:

Element	Commentary
Completeness of draft accounts	We received a complete set of draft accounts on 22 June 2009, this was in advance of the agreed timescales. Our audit work commenced on 6 July 2009. The accounts presented for audit were complete, with only minor presentational amendments being made.
Quality of supporting working papers	As in the previous year the Council has continued to improve the standard of its working papers. The working papers were clearly referenced to the prepared by client list and there were no issues in accessing these documents.
Response to audit queries	The Council dealt with all audit requests promptly and efficiently. This helped to ensure that the audit ran smoothly.

Substantive testing – critical accounting matters

We have identified the following key matters for the 2008/09 financial statements:

- The Council attended an Employment Tribunal in February/March 2009 in relation to the equal pay claims it had received. The Tribunal ruled against the Council in July 2009. The Council is currently appealing this decision. We are completing audit work to understand the accounting implications of any potential liability.
- The Collapse of the Icelandic banking system during 2008 has resulted in a significant amount of interest in local authorities governance arrangements in relation to treasury management activities. The Council did not have any funds invested in the affected institutions, however, the Audit Commission mandated a piece work for auditors to review the governance arrangements in place across all local authorities. We have raised one recommendation following this review, which can be seen in Appendix 6.

Substantive testing – adjustments to the accounts

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

There are no corrected or uncorrected audit differences and this is confirmed at Appendix 5.

We have identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2008: A Statement of Recommended Practice* ('SORP').

Financial statements (continued)

Substantive testing – Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE in June 2007; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Completion – declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Bury Metropolitan Borough Council for the year ending 31 March 2009, we confirm that there were no relationships between KPMG LLP and Bury Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 9 in accordance with ISA 260.

Completion – management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have included a copy of a representation letter in Appendix 10. We will provide a draft to the Chief Finance Officer. We require a signed copy of your management representations before we issue our audit opinion.

For 2008/09 we are seeking specific assurance that sufficient and appropriate consideration has been given to potential impairments of the assets included in the accounts in light of the current macro economic climate and that, where any such impairment has been identified, it is reflected accordingly in the accounts. This includes compliance with the accounting policy for periodic revaluation of assets (under FRS 15), as well as the need for management to undertake a review of assets to determine whether there is any impairment to their value in accordance with FRS 11.

Completion – other matters

ISA 260 requires us to communicate "audit matters of governance interest that arise from the audit of the financial statements" to you which includes:

- material weaknesses in internal control identified during the audit;
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. issues relating to fraud, compliance with laws and regulations, subsequent events etc); and
- other audit matters of governance interest.

There are no others matters which we wish to draw to your attention.

Completion – opinion

Subject to the outstanding issue being resolved, we anticipate issuing an unqualified audit opinion. However, as there is some outstanding work to be completed in relation to this matter, our audit opinion may not meet the 30 September deadline.

Our proposed opinion on the financial statements is presented in Appendix 4

Appendix 1: Proposed use of resources conclusion

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice. Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, Bury Metropolitan Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Trevor Rees

(Senior Statutory Auditor)

for and on behalf of KPMG LLP

Chartered Accountants

Statutory Auditor

Manchester

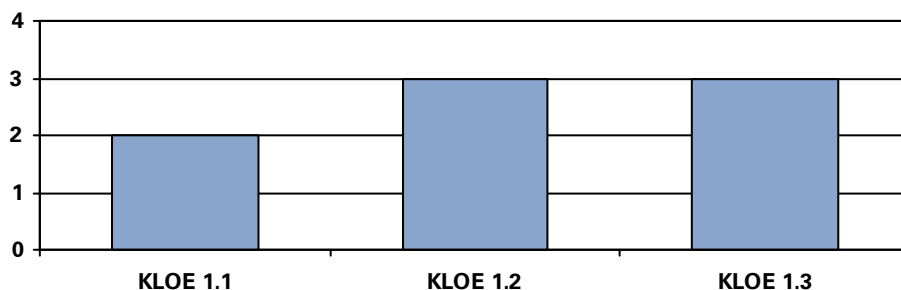
Appendix 2: Use of resources key findings

This appendix summarises key messages from the use of resources assessment by theme and recommendations. The recommendations have been included in Appendix 6.

KLOE 1 – Managing finances: overall score 3

The Council has robust financial planning, costing and reporting information. The Council has demonstrated some strong outcomes for financial reporting and understanding its cost base. The Council is high performing and low cost and understands the reasons for this. The Council has demonstrated that it takes consultation seriously and responds appropriately to the informational needs of stakeholders.

The scores by sub KLOE are summarised in the graph below:



As the Council has scored at least level 2 for all criteria, it has met the requirements for the VFM conclusion.

KLOE 1.1 – Financial planning

The Council has good arrangements in place in relation to financial planning. However, weaknesses exist in relation to demonstrating that participatory budgeting takes place and demonstrating what impact this has had on the budget setting process.

The Council has not yet been able to demonstrate that it has achieved the anticipated outcomes from the additional investment made through both the capital programme and the priority investment reserve.

The Council identifies financial pressures and takes action to address these, as and when appropriate.

Financial governance is good, with training provided to Members. The Council needs to consider the impact this training has had on the overall financial governance of the Council and draw up an action plan which addresses any gaps.

KLOE 1.2 – Understanding costs and achieving efficiencies

The Council is low cost and, through its benchmarking activities, has a good understanding of the reasons why it is low cost. The Council has reviewed its areas of high spend and there has been some evidence of the impact of this on its cost base. The Council's low cost is matched with high performance in most areas.

The Star Chamber process uses information from the service reviews and the benchmarking results to identify improvement opportunities in terms of cost and performance. There have been some examples of the success of this, including the Elderly Person's Homes review and the transformation of the Home Care service.

KLOE 1.3 – Financial reporting

The Council has worked hard to ensure another smooth audit and financial reporting process for 2008/09. The Council has continued to be committed to understanding and reacting to the information needs of both internal and external stakeholders. As a result, reports are available in a variety of formats and changes to existing publications have been made to respond to information needs of users.

There is evidence of good use of financial information, such as identifying and starting to address the financial pressures in Adult Care Services and issues with out of borough placements.

Appendix 2: Use of resources key findings (continued)

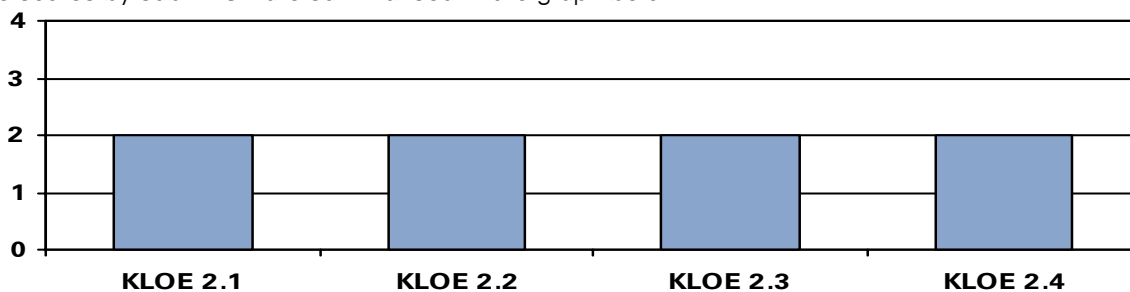
KLOE 2 – Governing the business: overall score 2

The Council understands the needs of its community and is developing its approach to procurement and commissioning to achieve required outcomes.

The Council has satisfactory data quality and security arrangements in place and produces fit for purpose information to support decision making and performance monitoring.

The Council has robust governance arrangements in place which extend to its partnership working. The Council’s system of internal control is sound. In addition, effective risk management arrangements and a strategy to manage the risk of fraud and corruption are in place.

The scores by sub KLOE are summarised in the graph below:



As the Council has scored level 2 for all criteria, it has met the requirements for the VFM conclusion.

KLOE 2.1 – Commissioning and procurement

The Council has achieved the basic requirements in relation to commissioning and procurement. The Council understands the needs of the community and has a good picture of the supply market.

The Council has demonstrated good arrangements in place for procurement and has provided examples of how savings have been achieved through procurement over recent years, however the Council has not demonstrated how this has significantly improved value for money.

There are some examples of how the Council has redesigned services and partnership relationships are strong. The next step in this process is for the Council to assess whether these actions have had the desired impact on outcomes.

KLOE 2.2 – Data quality and use of information

The Council has a clearly defined data quality policy, including responsibilities, reporting procedures and guidance.

A clear process for managing data received from partners and third parties has been defined. When data is received from partners the corporate Data Quality lead validates the data via the performance management system before this can be used as part of the corporate performance management report.

Data/information is clearly used as part of the decision making process. The key decision makers receive both quantitative and qualitative information as part of this process.

The Council now has a comprehensive, Council wide, data security policy including policies on data transfer in and out of the Council. This has been communicated widely to staff and members and is available on the council intranet site.

KLOE 2.3 – Good governance

The Council has the basics in place, work is being undertaken in terms of refreshing information and raising greater awareness with members and officers of ethical and governance standards. The Council now needs to complete its second ethical audit, so that it can demonstrate the impact of this work.

Partnership arrangements have been developing over the last three years. Partnership governance arrangements are becoming embedded into the Council’s processes. The next step is for the Council to assess the impact that partnership working is having on outcomes and value for money.

Appendix 2: Use of resources key findings (continued)

KLOE 2.4 – Risk management and internal control

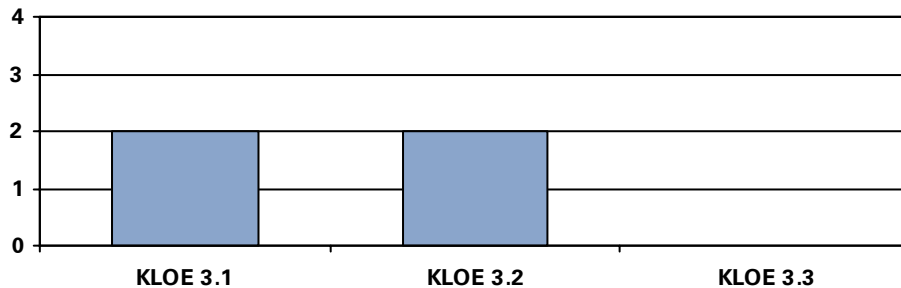
The Council has undertaken a significant amount of work over the last few years to ensure that risk management is embedded throughout its processes. The Assurance Framework and the Partnership Risk Assessment Model (PRAM) being examples of this. The Council now needs to assess the impact that these arrangements are having on the overall governance process.

Appendix 2: Use of resources key findings (continued)

KLOE 3 – Managing resources: overall score 2

The Council has developed a strategic approach to the management of its asset base. It has also begun to develop a Council wide approach to the use of its natural resources. The Council now needs to complete work to understand the impact of these strategies and assess whether these are achieving the required outcomes.

The scores by sub KLOE are summarised in the graph below:



As the Council has scored at level 2 for all criteria, it has met the requirements for the VFM conclusion.

KLOE 3.1 – Use of natural resources

The Council has achieved the basics in this KLOE area, for example it has worked with the Carbon Trust to develop a project plan to start reducing its use of natural resources. A project team has been developed to help in the delivery of the plan. Key actions have been identified and assigned to individuals throughout the Council. However, there is not yet clear evidence of the delivery or impact of these actions.

KLOE 3.2 – Strategic asset management

The Council can demonstrate that it is meeting the basics of the asset management KLOE, including:

- the approach is organisation wide and there is significant senior officer involvement;
- there is evidence of partnership working taking place across the borough;
- there is a clear link between the medium term financial strategy and the asset management plan; and
- there is evidence of performance indicators on asset usage and running costs impacting upon decision making.

The Council currently has a number of significant capital projects taking place, which should impact upon its office accommodation in the future. Many of these projects are still in the development phase and it is too early in the lifecycle of these schemes to demonstrate how these are contributing to the delivery of corporate priorities.

The Council needs to ensure that as part of setting the capital programme and project initiation that project objectives are clearly articulated and linked to the Council’s corporate objectives.

KLOE 3.3 – Workforce planning

This is not applicable to Bury Metropolitan Borough Council in 2008/09. This will be reviewed as part of the 2009/10 assessment.

Appendix 3: Use of resources criteria and link to VFM conclusion

The Audit Commission has specified which of the use of resources KLOEs form the criteria for the VFM conclusion. These criteria are summarised below.

Use of resources KLOE	Relevance to the Council
Managing finances	
1.1 – Financial planning	✓
1.2 – Understanding costs and achieving efficiencies	✓
1.3 – Financial reporting	✓
Governing the business	
2.1 – Commissioning and procurement	✓
2.2 – Data quality and use of information	✓
2.3 – Good governance	✓
2.4 – Risk management and internal control	✓
Managing resources	
3.1 – Use of natural resources	✓
3.2 – Strategic asset management	✓
3.3 – Workforce planning	X

Appendix 4: Proposed audit report

Independent auditors' report to the Members of Bury Metropolitan Borough Council

Opinion on the accounting statements

We have audited the accounting statements and related notes of Bury Metropolitan Borough Council and its Group for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Authority and Group Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, and the Collection Fund. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Bury Metropolitan Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Bury Metropolitan Borough Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Bury Metropolitan Borough Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditors

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year;
- the financial position of the Group and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Appendix 4: Proposed audit report (continued)

Opinion

In our opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its Group as at 31 March 2009 and its income and expenditure for the year then ended.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Trevor Rees

(Senior Statutory Auditor)

for and on behalf of KPMG LLP

Chartered Accountants

Statutory Auditor

St James Square

Manchester

Appendix 5: Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to the Audit Committee. We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences


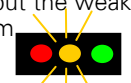

No significant audit differences have been identified by our audit of Bury Metropolitan Borough Council's financial statements for the year ended 31 March 2009.

Uncorrected audit differences

There are no uncorrected audit differences to report to the Audit Committee.

Appendix 6: Recommendations

We have given each recommendation a risk rating (as explained below) and agreed what action management will need to take. We will follow up these recommendations next year.

Priority rating for recommendation		
<p>Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p> 	<p>Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system</p> 	<p>Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> 

No.	Risk	Issue and recommendation	Management response	Officer and due date
1	● (two)	<p>The schools bank reconciliation for Manchester Mesivta has an opening balance discrepancy of £130k. This is a historical balance dating to 2005/06 when the school did not have a bank account.</p> <p>Given that this is a cash balance it is recommended that the Council take all steps possible to reconcile this balance and make any appropriate amendments and write-offs.</p>		
2	● (three)	<p>There is a requirement under the Building (Local Authority Charges) Regulations 1998 for the Council to ensure that the income received from its charges fully recover the cost of carrying out its building control functions over a rolling three year accounting period. However, for the three year period to 31 March 2009, the Council has made a deficit of £73k, therefore breaching the Regulations. Given the current economic position, there is an increased risk to the Council of further deficits if the position is not monitored and managed closely.</p> <p>The Council has a plan in place to address the current deficit position. This plan should be monitored closely and action taken as necessary to ensure that this deficit position is returned to a break-even or surplus position.</p>		
3	● (three)	<p>The investment strategy makes reference to non-specified investments that the Council can make. The flexibility of this strategy may reduce the effectiveness of other investment restrictions that have been put in place.</p> <p>The Council should provide greater clarification regarding what constitutes a non specific investment to ensure that unsuitable investments are not being placed.</p>		

Appendix 7: Follow up of previous recommendations

This appendix summarises the progress made to implement the recommendations identified in our previous reports.

Report 1	Number of recommendations that were:		
	Included in original report	Implemented in year or superseded	Remain outstanding
ISA 260 Report 2007/08	1	1	0
Total	1	1	0

No.	Issue and recommendation	Management response	Officer and due date	Status at September 2009
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ISA 260 Report 2007/08

1	<p>During the audit of the group accounts we identified that a formal agreement of balances had not been carried out between the Council and Six Town Housing. This is required to ensure that all intra-group transactions are eliminated for the purposes of consolidation.</p> <p>Whilst we have gained assurance that the balances eliminated are not materially mis-stated, best practice would be to formally agree the balances between the two organisations. This would ensure all timing differences have been identified and that all balances have been appropriately accounted.</p>	Agreed.	P Harrington April 2009	Our work on the 2008/09 financial statements has confirmed that the balances between Six Town Housing and the Council have been reconciled. As a result, appropriate adjustments have been made in order to eliminate the intra-group balances.
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Appendix 8: Audit reports issued

A summary of the reports issued in the year to date is set out below.

Report	Date issued
Audit and Inspection Plan 2008/09	May 2008
Adult Care Services Budget Review	September 2009
Freedom of Information	September 2009
Capital Programme Management	September 2009

Appendix 9: Declaration of independence and objectivity

Declaration of Independence and Objectivity 2008/09

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

“Auditors and their staff should exercise their professional judgement and act independently of both the Audit Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body, which does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s *Annual Letter of Guidance and Standing Guidance* (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (‘Ethical Standards’).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm’s required independence. KPMG’s policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual (‘the Manual’). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

Appendix 9: Declaration of independence and objectivity (cont'd)

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor Declaration

In relation to the audit of the financial statements of Bury Metropolitan Borough Council for the financial year ending 31 March 2009, we confirm that there were no relationships between KPMG LLP and Bury Metropolitan Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 10: Draft management representation letter

Dear KPMG LLP,

We understand that auditing standards require you to obtain representations from management on certain matters material to your opinion. Accordingly we confirm to the best of our knowledge and belief, having made appropriate enquiries of other members of the Authority, the following representations given to you in connection with your audit of the financial statements for Bury Metropolitan Borough Council for the year ended 31 March 2009.

All the accounting records have been made available to you for the purpose of your audit and the full effect of all the transactions undertaken by Bury Metropolitan Borough Council has been properly reflected and recorded in the accounting records in accordance with agreements, including side agreements, amendments and oral agreements. All other records and related information, including minutes of all management and Board meetings, have been made available to you.

We confirm that we have disclosed all material related party transactions relevant to the Authority and that we are not aware of any other such matters required to be disclosed in the financial statements, whether under FRS 8 or other requirements.

We confirm that we are not aware of any actual or potential non-compliance with laws and regulations that would have had a material effect on the ability of the Authority to conduct its business and therefore on the results and financial position to be disclosed in the financial statements for the year ended 31 March 2009.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with the Local Government Statement of Recommended Practice ("SORP") and wider UK accounting standards. We have considered and approved the financial statements.

We confirm that we:

- understand that the term "fraud" includes misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Misstatements resulting from fraudulent financial reporting involve intentional misstatements or omissions of amount or disclosures in financial statements to deceive financial statement users. Misstatements resulting from misappropriation of assets involve the theft of an entity's assets, often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation;
- are responsible for the design and implementation of internal control to prevent and detect fraud and error;
- have disclosed to you our knowledge of fraud or suspected fraud affecting the Authority involving:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others; and
- have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We confirm that the presentation and disclosure of the fair value measurements of material assets, liabilities and components of equity are in accordance with applicable reporting standards. The amounts disclosed represent our best estimate of fair value of assets and liabilities required to be disclosed by these standards. The measurement methods and significant assumptions used in determining fair value have been applied on a consistent basis, are reasonable and they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Authority where relevant to the fair value measurements or disclosures.

We confirm that there are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than that already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements.

Appendix 10: Draft management representation letter (continued)

With reference to the specific issues on which you have requested assurances from Members, we confirm that:

- For 2008/09 we consider that sufficient and appropriate consideration has been given to potential impairments of the assets included in the accounts in light of the current macro economic climate and that, where any such impairment has been identified, it is reflected accordingly in the accounts. This includes compliance with the accounting policy for periodic revaluation of assets (under FRS 15), as well as the need for management to undertake a review of assets to determine whether there is any impairment to their value in accordance with FRS 11.

Finally, no additional significant post balance sheet events have occurred that would require additional adjustment or disclosure in the financial statements, over and above those events already disclosed.

This letter was tabled at the meeting of the Audit Committee on 22 September 2009.

Yours faithfully

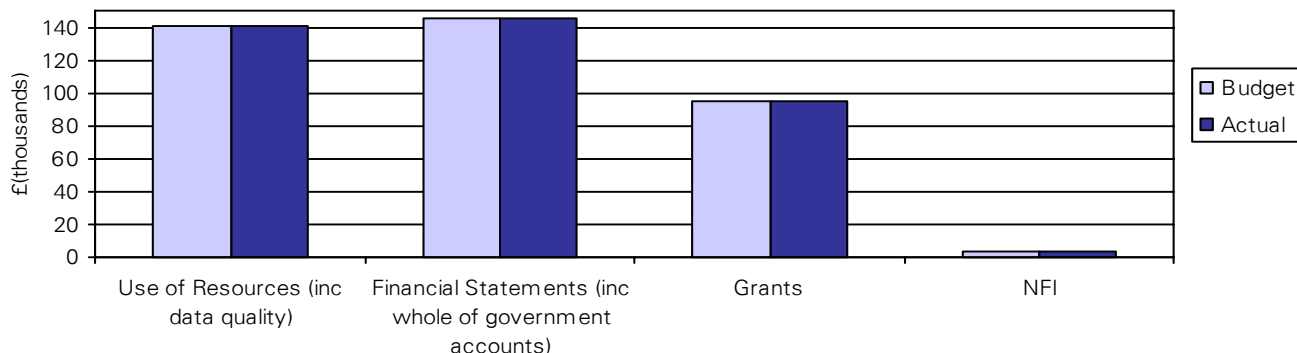
[Name of Executive Director signing letter on behalf of Bury Metropolitan Borough Council]

On behalf of Bury Metropolitan Borough Council

Appendix 11: Audit Fee

To make sure that there is openness between us and your Audit Committee about the extent of our fee relationship with you, we have summarised below the out-turn against the 2008/09 agreed external audit fee:

External audit fee for 2008/09



The analysis above shows that our audit fee is in line with the totals you have approved for the use of resources and accounts work.

At the moment the actual cost of auditing the grant claims is uncertain as the majority of this work is due to be completed in October and November 2009. However, we estimate at this stage that the cost will be broadly in line with the budget.