



PUBLIC SECTOR

# Bury Metropolitan Borough Council

Annual Audit Letter 2009/10

December 2010

AUDIT

# Introduction

The contacts at KPMG in connection with this report are:

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## Background

This Annual Audit Letter summarises the key issues arising from our 2009/10 audit of Bury Metropolitan Borough Council (the Council). Although this letter is addressed to the Members of the Council, it is also intended to communicate these issues to key external stakeholders, including members of the public. The letter will also be published on the Audit Commission's website. It is the responsibility of the Council to publish the letter on the Council's website at [www.bury.gov.uk](http://www.bury.gov.uk). In the letter we highlight areas of good performance and also areas where further work is required to achieve best practice. We have reported all of the issues in this letter to you throughout the year. A list of all reports that we have issued is provided in Appendix A.

## Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Audit Commission Act 1998. Our main responsibility is to carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the code) which requires us to report on:

### Use of Resources (UoR)

We conclude on the arrangements in place for securing economy, efficiency and effectiveness ('value for money') in your use of resources.

### Financial Statements

We provide an opinion on your accounts.

## Fees

Our fee for 2009/10 was £285,500 excluding VAT (2008/09: £307,500). Although our work on the certification of grants and returns is ongoing, our fee is estimated to be £36,189 excluding VAT, (2008/09: £36,189).

This report is addressed to Bury Metropolitan Borough Council (the Council) and has been prepared for the sole use of the Council. 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 (telephone 0161 246 4063, e-mail [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)), who is the engagement lead to the Council and will try to resolve your complaint. Trevor is also the national contact partner for all of KPMG's work with the Audit Commission. After this, if you still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. You can contact the Complaints Unit by phone (0844 798 3131), by email ([complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk)), through the audit commission website ([www.audit-commission.gov.uk/aboutus/contactus](http://www.audit-commission.gov.uk/aboutus/contactus)), by textphone/minicom (020 7630 0421), or via post to Complaints Unit, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR.

## Use of Resources

### Use of Resources assessment

- In May 2010 the government announced that the Comprehensive Area Assessment (CAA) would be abolished. The Audit Commission subsequently confirmed that work related to CAA should cease with immediate effect. This included work for UoR scored assessments at local authorities. Despite this, there has been no change to the requirement in the statutory Code of Audit Practice for auditors to issue a Value for Money (VFM) conclusion.
- At the time of the announcement, the vast majority of our UoR work for 2010 had already been completed and this therefore informed our 2009/10 VFM conclusion.
- The Council's arrangements in relation to asset management and risk management were notably improved from previous years. The Authority is now demonstrating outcomes from these arrangements, particularly following the completion of phase one of the Townside Fields development.
- The Council's workforce planning arrangements were sound. Particular strengths were in relation to flexible working, equality and savings achieved through innovative working practices, such as recruitment and advertising. The Council now needs to ensure that its workforce strategy reflects the long term plans for the Council.

### Specific risk based review – Medium-to long-term financial strategy

- As a result of the risks around cuts in Government spending we have reviewed the Council's medium-to long-term financial strategy (MTFS) to ensure that appropriate planning has taken place.
- The initial findings are that the MTFS is sound, but there are further opportunities to develop sensitivity planning arrangements. We understand that work is underway to capitalise on these development opportunities. Once the Council receives its settlement we can complete our work.

### Our conclusion

- We issued an unqualified value for money conclusion for 2009/10. This means that we are satisfied that you have put into place proper arrangements for securing economy, efficiency and effectiveness in your use of resources.

# Headlines

<b>Financial Statements</b>	<b>Annual accounts</b>	<ul style="list-style-type: none"><li>● Our audit of the financial statements resulted in only one presentational amendment being made to the financial statements, relating to the reclassification of fixed assets.</li><li>● We also made a small number of presentational amendments to the notes to the financial statements to ensure they were fully compliant with the Statement of Recommended Practice 2010.</li><li>● The Council continued to produce high quality and clear working papers to support the entries in the financial statements. Officers dealt with our audit queries efficiently and, as a result, the audit process was completed within the planned timescales.</li></ul>
	<b>Annual Governance Statement</b>	<ul style="list-style-type: none"><li>● No significant adjustments were required to the Annual Governance Statement.</li></ul>
	<b>Our conclusion</b>	<ul style="list-style-type: none"><li>● We issued an unqualified opinion on your accounts on 31 August 2010. This means that we believe the accounts give a true and fair view of the financial affairs of the Council and of the income and expenditure recorded during the year.</li><li>● We were unable to certify the completion of our audit on 31 August 2010, as at that date we had one issue raised by electors which remained unresolved. We anticipate that this issue will be resolved before the end of December.</li></ul>
<b>Recommendations</b>	<b>High risk recommendations</b>	<ul style="list-style-type: none"><li>● We are pleased to report that there are no new high risk recommendations arising from our 2009/10 audit work. We have discussed the more minor issues directly with management.</li><li>● We have also identified that one prior year recommendation, with a priority 2 – medium risk, requires further action by management. Action against this recommendation is underway.</li></ul>

## High profile issues

### Economic Downturn and pressure on the public sector

- Local authorities will face a 28% cut in Formula Grant over the coming four years with the cuts being front-loaded into 2011/12. This means that local government will face one of the biggest cuts for any part of the public sector. The comprehensive spending review (CSR) provided only headline figures and Council's will have to wait until the Local Government Settlement is announced in mid December before they will know the full extent of the resources that they will have available and the real impact of the spending cuts on the services that they provide.
- Facing up to these challenges will require revolutionary transformation of public sector services. Strong leadership from Members and senior management will be essential for this programme of change. The Council has already commenced its transformation programme.
- The Council has been preparing for cuts of this magnitude for some time, through scenario planning and sensitivity analysis of its Medium Term Financial Plan. The Council is currently awaiting for the outcome of the settlement and details of the National Insurance rate changes, so that it can finalise its plans.
- During the year we commenced work on reviewing the Council's medium to long term financial planning. We found that generally these arrangements were sound, but there were further opportunities for improvement. We will update our report following on from the outcomes of the CSR and the Council's updated budget. We will report back to the Audit Committee in February 2011.

## High profile issues

### International Financial Reporting Standards (IFRS)

- All local authorities are required to report under IFRS for the first time in 2010/11. This process will require the 2009/10 financial statements to be converted to IFRS to form the comparative period.
- The Council is making good progress against its plan for IFRS conversion. The Council have continually engaged us in this process to ensure that they are fully prepared for full conversion to IFRS.
- We anticipate carrying out an audit of the restated balances early in December.
- One area where the Council could improve in relation to its transition to IFRS is to better prepare Members for the change. IFRS can have large impacts on the balance sheets of councils due to the differing accounting policies and presentation requirements. Members need to be aware of the impact of IFRS, so that they are able to properly discharge their responsibilities in June 2011, when approving the financial statements.
- Plans are underway to address this through training with Audit Committee in a future meeting.

# Future audit work

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## Changes to next year's value for work programme

- Given the scale of the pressures facing public bodies in the current economic climate, the Audit Commission has reviewed its work programme for 2010/11 onwards. As part of this exercise, the Commission has been discussing possible options for a new approach to local value for money (VFM) audit work with key national stakeholders. From 2010/11 we will therefore apply a new, more targeted and better value approach to our local VFM audit work. This will be based on a reduced number of reporting criteria specified by the Commission, concentrating on:
  - securing financial resilience; and
  - prioritising resources within tighter budgets.
- We will determine a local programme of VFM audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. We will no longer make annual scored judgements relating to our local VFM audit work. Instead we will report the results of all the local VFM audit work and the key messages for the audited body in our annual report to those charged with governance and in a clear and accessible annual audit letter.

## Future audit arrangements

- In August 2010 the Secretary of State for Communities and Local Government announced proposals to abolish the Audit Commission. The proposed abolition will be from 2012 and the government will seek legislation in this session of Parliament.
- There is no immediate change to the current audit arrangements. We will keep you informed about the future audit programme and any changes to audit arrangements.

# Appendix A: Summary of Reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

