

Annual Audit Letter 2017/18

**Bury Metropolitan
Borough Council**

August 2018



A background image showing a group of business professionals in a meeting. In the foreground, a man with grey hair is seen from the side, looking down. Behind him, a woman with dark hair is also looking down. To the right, another person is partially visible. They are all wearing business attire, including suits and ties. The image is slightly blurred, giving it a professional and busy feel.

Section one

Summary for Audit Committee

Summary for Audit Committee

This Annual Audit Letter summarises the outcome from our audit work at Bury Metropolitan Borough Council ("the Authority") in relation to the 2017-18 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 31 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include the consolidated financial statements for the Authority's Group, which consists of the Authority itself and Persona Group Ltd, Persona Care and Support Ltd, Six Town Housing Ltd and Bury MBC Townside Fields Ltd.

Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £7.5 million which equates to around 1.45 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We report to the Audit Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.25 million for the Authority.

Adjustments were made to the accounts by Management totalling £9.3 million. This included an audit adjustment of £8.6m as a result of a revised pension report from the actuary (see overleaf for detail) and an adjustment made by management of £0.7m. These adjustments did not impact on the reported deficit on provision of services or the general fund.

Our audit work was designed to specifically address the following significant risks:

- **Management Override of Controls** – Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. There are no matters arising from this work that we need to bring to your attention.
- **Valuation of PPE** - The Authority's policy for asset revaluation is to 're-value sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years'. The Authority have made good progress developing their processes to ensure the programme of revaluation is up-to-date and the carrying value of the asset base is materially accurate. However, given the historical issues identified with fixed asset revaluations in the past and the significance of the value to the financial statements we identified this as a significant audit risk and planned our work accordingly. We did not identify any significant issues arising from this work. Whilst we were satisfied that there is no material misstatement in the financial statements we noted an inconsistency in the accounting policy included in the accounts and the actual treatment applied in accounting for Academy schools. The Authority have updated their accounting policy accordingly.

Continued overleaf

Summary for Audit Committee (cont.)

This Annual Audit Letter summarises the outcome from our audit work at Bury Metropolitan Borough Council ("the Authority") in relation to the 2017-18 audit year.

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- **Pensions Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We have reviewed the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation. We did not identify any issues during our work in this area. Our work also considered the roll forward of the assets undertaken by the actuaries and the allocation of those assets to the Authority. We noted that the actuaries used estimated investment rates of returns for the last few months of 2017/18 and on investigation we found the difference in actual and estimated investment rates of return had an impact greater than our materiality on the value of the pension fund assets and therefore net liability. The Authority requested a revised IAS 19 report which incorporates that actual returns and the final published accounts were amended accordingly to reflect this change in value. The result is a material increase in the pension assets (and associated reduction in the net pension liability) of £8.6m.

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

Whole of Government Accounts

We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.

Value for Money conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 on 31 July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

Value for Money risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks. We did not identify any significant risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

High priority recommendations

We raised no high priority recommendations as a result of our 2017-18 work.

Section one:

Summary for Audit Committee (cont.)

Certificate

We issued our certificate on 31 August 2018. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

Our fee for 2017-18 was £116,730, excluding VAT (2017: £119,273). The 2016/17 audit fee included an additional fee of £2,543 for work undertaken on the two new system upgrades (the General Ledger and Fixed Asset systems).

Further detail is contained in Appendix 2.

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.

In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.



Appendices



Appendix 1:

Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter. These reports can be accessed via the Audit Committee pages on the Authority’s website at www.bury.gov.uk.

Certification of Grants and Returns ◆

This report summarised the outcome of our certification work on the Authority’s 2016-17 grants and returns.

External Audit Plan ◆

The External Audit Plan set out our approach to the audit of the Authority’s financial statements, including those of the Group and to support the VFM conclusion.

Report to Those Charged with Governance ◆

The Report to Those Charged with Governance summarised the results of our audit work for 2017-18 including key issues and recommendations raised as a result of our observations.

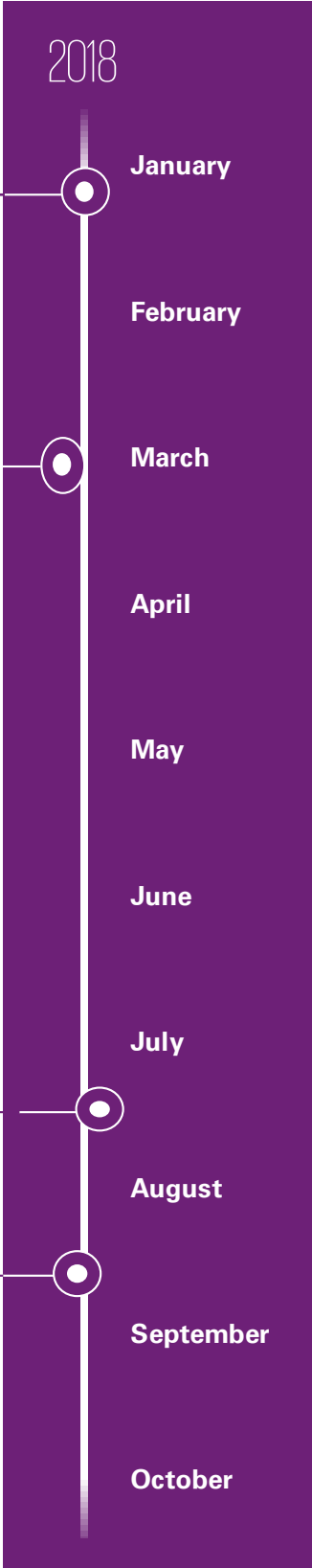
We also provided the mandatory declarations required under auditing standards as part of this report.

Auditor’s Report ◆

The Auditor’s Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

Annual Audit Letter ◆

This Annual Audit Letter provides a summary of the results of our audit for 2017-18.



Appendix 2:

Audit fees

This appendix provides information on our final fees for the 2017-18 audit.

External audit

Our final fee for the 2017-18 audit of the Authority was £116,730, which is in line with the planned fee.

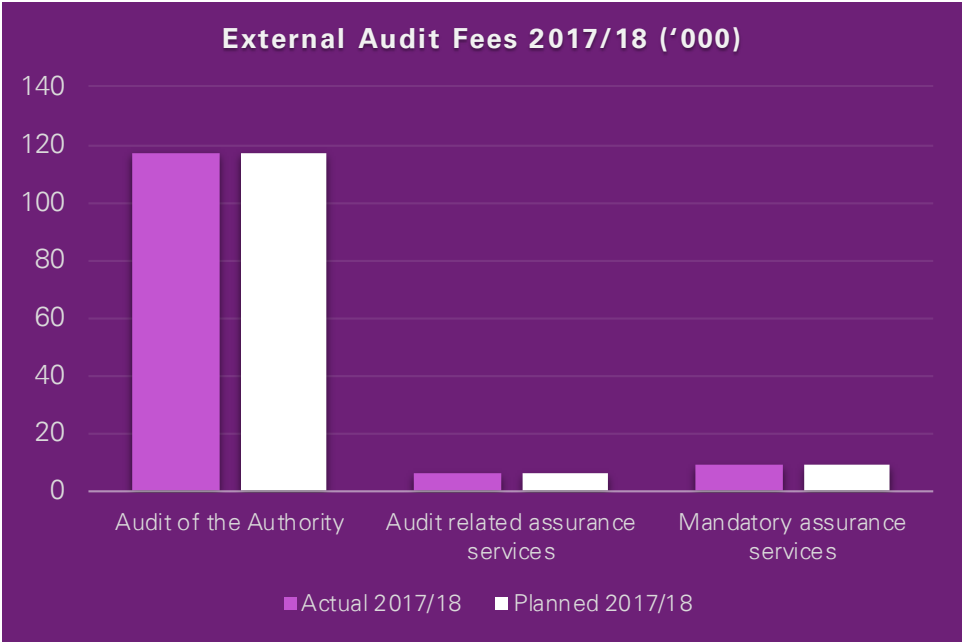
Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority’s housing benefit grant claim. This certification work is still ongoing. The planned fee for this work is £9,191 and the final fee will be confirmed through our reporting on the outcome of that work in January 2019.

During 2017/18 we charged £6,100 for additional audit-related services for the 2016/17 certification of Teachers Pensions Return and Pooling of Housing Capital Receipts Return which is outside of Public Sector Audit Appointment’s certification regime.

Other services

We did not charge any additional fees for other services.





The key contacts in relation to our audit are:

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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. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Rob Jones, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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