



# Audit Completion Report

Bury Council

Year ending 31 March 2019

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12 September 2019

Dear Members

**Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 26 February 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0161 238 9248

Yours faithfully

Karen Murray  
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# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Bury Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Audit Committee meeting on 17 September 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Valuation of Property, Plant and Equipment
- Valuation of the defined benefit pensions liability
- Revenue recognition (Rebutted)

Enhanced Risk

- Valuation of the share-holding in Manchester Airport

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, alongside completion of the audit which will be after the deadline of 13 September 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. There are no such matters that we need to report to you.

Executive summary

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# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Schools Cash	●	We are awaiting evidence from the relevant bank for 1 item selected for sample testing.
Group Accounts	●	We are in the process of finalising our review of the revised Group Accounts and consolidation process.
Amendments	●	We need to review the final set of amended accounts to confirm all of the amendments required have been correctly reflected in the statements, disclosures and other notes.
Non-significant balances & WGA	●	We are carrying out final tests of non-significant areas of testing and immaterial balances and disclosures, and our checks on the WGA submission.
WGA & Completion Letters	●	We are awaiting the signed and dated Letter of Management Representations, the proposed draft attached at Appendix A.
IT controls testing	●	Colleagues from our Technology Risks Services team are currently finalising testing in respect of the Council's IT general controls.

### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £11,764k using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £11,790k, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee), at £357k based on 3% of overall materiality.

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 9 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks.

#### Significant risk

Management override of controls

#### Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

We have no issues which we need to bring to your attention in respect of this risk.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Valuation of Property, Plant, and Equipment

### Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle.

The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.

As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not reported at their materially correct fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value of the assets is materially different at the year end.

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### How we addressed this risk

In relation to the valuation of property, plant and equipment we have:

- Critically assessed the valuer's scope of work, qualifications, objectivity and independence to carry out the Council's programme of revaluations;
- Considered whether the overall revaluation methodology used by the Council's valuer was in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- Critically assessed the appropriateness of the underlying data and the assumptions used in the valuer's calculations, based on our expectations by reference to sector and local knowledge;
- Assessed the movement in market indices between the revaluation dates and the year end to determine whether there had been material movements over that time;
- Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;
- Requested the Council to provide us with its documented assessment of the value of those assets not subject to revaluation in the year. We then critically assessed the approach the Council adopted to ensure that assets not subject to revaluation in 2018/19 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers;
- Tested a sample of items of capital expenditure in 2018/19 to confirm that the additions were appropriately valued in the financial statements.

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### Audit conclusion

Testing has provided material assurance in relation to this risk. However, we identified a number of issues which are discussed later in this report.

We recommend improvements in arrangements and we report unadjusted misstatements to you on page 15 of this report.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

<b>Significant risk</b>	<b>Description of the risk</b>
Valuation of Defined Benefit Pensions Liability	<p>The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2016.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.</p>

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### **How we addressed this risk**

In relation to the valuation of the Council's defined benefit pension liability we have:

- Critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson;
- Liaised with the auditors of the Greater Manchester Pension Fund and gained assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation was complete and accurate;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;
- Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

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### **Audit conclusion**

We have concluded that the estimate of the Council and Group's primary pensions liability is materially accurate. However, there is an identified issue in relation to previously unaccounted for liabilities which are outlined on page 15 of this report.

Amendments were also required to the Group reserves and the accounting treatment considered later in this report, though the valuation was materially correct.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Enhanced risk

Valuation of  
Manchester  
Airport Investment

### Description of the risk

The Council's shareholding in the Manchester Airport Holdings Group Limited (MAHG Ltd.) has been valued by a firm of financial experts, engaged by management, based on assumptions about financial performance, stability, and key business projections. The figure disclosed in your accounts in relation to MAHG Ltd. is at fair value.

There is a risk that the assumptions and methodology used by your experts are not appropriate and we will need to obtain assurance that accounting entries are not materially misstated.

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### How we addressed this risk

We have addressed this risk by:

- Assessing the scope of work, qualifications, objectivity and independence of the expert engaged to carry out the valuation assessment of the airport shares; and
- Utilising the services of our internal valuation expert to review the work completed by management's expert and to evaluate the appropriateness of the assumptions applied to arrive at the figure in the financial statements.

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### Audit conclusion

We have assurance that the valuation of the Council's shareholding is materially correct.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### **Qualitative aspects of the Council's accounting practices**

We have reviewed the Council's accounting policies and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting (the Code). We have considered the appropriateness of the use of the going concern assumption and have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 31 May 2019. Our initial audit review and testing identified significant errors in classification and presentation in the accounts which the finance function needed to address. We provided a detailed list of these issues 19 June 2019 and held a meeting with finance officers 21 June 2019 to discuss the issues and agree next steps for the Council to provide us with a revised draft set of statements. Although we received several updated versions of the accounts subsequent to this meeting, the substantially revised set of accounts was received 26 July 2019.

### **Significant difficulties during the audit**

During the course of the audit we encountered some significant difficulties with the accounts initially presented for audit, most notably in relation to the compliance with the Code, the capital accounting arrangements, and responses to audit. This meant there was extensive and unexpected effort required to obtain sufficient, appropriate audit evidence, including in respect of the following, which is indicative rather than exhaustive.

#### **General compliance with the Code**

Our detailed technical review of the accounts, undertaken on receipt, identified:

- several areas of material non-compliance with the Code in relation to disclosure and presentation;
- the use of incorrect or non-compliant terminology throughout leading to uncertainty over treatment and required accounting entries; and
- omitted Notes and supporting analyses.

In addition, and as set out in section 4 of this report, there were material amendments required in relation to the Statements such as the:

- incorrect presentation of amounts relating to levies;
- inappropriate application of statutory override when consolidating the group pension figures; and
- omission of the comparator Note for Property, Plant and Equipment.

There were also significant, but not individually material, classification issues such as those relating to the interest in land at Manchester Airport.

As some of these issues required prior period adjustment, the inclusion of a third balance sheet (the position at 01 April 2017) was also required.

### **Accounting for Property Plant & Equipment**

Accounting for Property Plant & Equipment is one of the more technically difficult areas of the Council's accounts. It is also one of the areas of highest value and therefore is identified by us as an area where there is a significant risk of material error. Our audit work identified a number of issues:

- the fixed asset register did not initially reconcile to the ledger and accounts disclosures;
- the instructions to the Council's valuer were last issued in 2014/15 and were therefore out of date. There was no evidence of review or consideration of the work required in the intervening period;
- there was a lack of clarity on the effective date of revaluations undertaken in year - the extant (though dated) instructions to the valuer and valuation certificates were based on 1 April 2018 but finance applied the valuations as at 31 March 2019;
- the consequence of the confusion above the valuation date gave rise to an error in the depreciation charge for 2018/19, as well as the amounts charged through the capital reserves;

## 2. SIGNIFICANT FINDINGS (CONTINUED)

- Management had not undertaken a consideration of the value of assets not formally revalued in year to provide assurance that these assets were not materially misstated within the Balance Sheet. This consideration was sought from the valuer at our request. However, the valuers response related only to those assets held at fair value, based on a consideration of the movements in relevant market indices. It did not include a consideration or commentary on those assets held at depreciated replacement cost where factors like the increase in construction costs are also key factors. The potential impact of which this is set out on page 15;
- detailed testing for our sample of specific asset valuations undertaken in the year identified errors in records supporting approximately half of the assets in our sample. Once followed up by Management, this resulted in changes (both increases and decreases) in the asset values included in the accounts for one third of the assets tested. Further information on the potential impact of these errors is set out on page 15; and
- detailed substantive testing identified errors with the classification of assets.

We have identified significant issues with the Council's approach to and controls operating in respect of capital accounting. However, as the errors and uncertainties reflect both increases and decreases to the value of the Property Plant & Equipment portfolio, we are satisfied that the balance sheet is not materially misstated in the 2018/19 Statement of Accounts. However, a considerable amount of work will be required by the Council to improve the arrangements and to correct the underlying records.

### **Responding to Audit**

There is scope for the Council to improve the working papers provided for audit. In many cases, the working papers were voluminous and did not provide clarity over the entries, balances, and other analyses within the financial statements as a whole. This resulted in a higher than usual number of audit queries, created additional work for finance staff and delayed the progress of our audit.

The difficulties we have encountered also demonstrated that there are several areas within the accounts where there is a key person risk relating to some of the most complex entries within the accounts.

### **Conclusion**

Though we have been able to complete our audit, the above issues resulted in a delay to the audit opinion beyond the target date of 31 July 2019 as well as missing the submission date for the WGA return. The delay presents a reputational risk for the Council, particularly if the situation persists, as well as additional work for the finance team and additional audit costs. Management have taken on board the issues raised and we will work with the Council to ensure that the above issues are addressed prior to the next audit cycle.

### **Significant matters discussed with management**

During the course of the audit, two significant matters have arisen in relation to the Local Government Pension Scheme which have been discussed with management and quantified as immaterial but above triviality and valued at approximately £4.989m across the group.

As a result of a recent Supreme Court judgement in respect of the McCloud case from June 2019, as well as the acknowledgement of liabilities relating to Guaranteed Minimum Pension (GMP) equalisation, there are previously unrecorded liabilities that the actuary had not included in their consideration of the IAS19 liabilities as at 31 March 2019.

The amounts relating to the two above pension issues have been calculated using actuarial methodologies confirmed with the relevant LGPS scheme actuary, Hymans Robertson, and assessed as valid by the NAO's consulting actuary (PWC).

We are satisfied that the calculation undertaken to assess the valuation of these additional liabilities has been performed in line with advice from an independent and competent scheme actuary.



## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability 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 law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

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. There are no matters arising from this which we need to report to you.



### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
<b>1 (high)</b>	In our view, there is potential for financial loss, damage to reputation, or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0 (None)
<b>2 (medium)</b>	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1 (One)
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	1 (One)



# 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

## Other deficiencies in internal control – Level 2

### Description of deficiency

There are weaknesses and lack of clarity in the processes and data used to prepare the valuation of the Council's property, plant, and equipment. Enquiry has also identified weaknesses in the underlying data systems and maintenance of underlying standing data.

### Potential effects

The valuation of the asset portfolio of the Council could have a significant variance in valuation as a result of the deficiencies in this area, and could lead to inappropriately valued transactions relating to depreciation, impairment losses, valuation gains, and the potential impact on the capital reserves.

### Recommendation

New and revised instructions to be provided to the valuation specialist, with an annual review undertaken and documented where full revision not required. A data corroboration exercise to ensure underlying asset data is materially accurate

### Management response

Agreed. The CFO will work with the Council's property management team and finance colleagues to arrange for a comprehensive review of the processes, data and systems regarding asset valuations during Q3, taking advice from external auditors. Revised processes will be in place for Q4.

## Other recommendations on internal control – Level 3

### Description of deficiency

The work of our Technology Risk Services team have identified a number of weaknesses within the IT security architecture.:

- the active directory allows 30 password attempts to access the network;
- the password policy for some access does not include any complexity, length, or attempt parameters;
- there is no regular periodic review to ensure user access rights are appropriate; and
- we identified 2 cases where some ledger access rights were not restricted in line with expectation.

### Potential effects

There is a risk that the network or specific systems could be accessed by illegitimate users, which presents a risk of loss of sensitive data, and access to the network presenting wider network integrity risks. The work undertaken by my colleagues in TRS has not identified any instances of these issues being exploited.

### Recommendation

That the IT security architecture is reviewed and strengthened, particularly in light of the enhanced data protection requirements the Council is subject to.

### Management response

A detailed review of the Council's IT security architecture will take place during Q3 with recommendations to tighten control and minimise risk.

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year by your previous auditor.

Description of deficiency	Responses / Action Taken
Accounting Policy for the treatment of Academy Schools	<p>The 2018/19 accounts have been amended to ensure there is consistency between the accounting policy as specified, the accounting treatment applied and the other information disclosure.</p> <p>We therefore consider this to have been resolved during the course of the 2018/19 audit.</p>
I-Trent (IT Controls) Annual Review of User Access Rights	The work on IT Controls is yet to be finalised as noted on page 4 of this report.
NNDR Reconciliations to VOA Reports to be timely	This was addressed by Management.
Fixed Asset Register to be Reconciled to Ledger at Year-End	<p>There were similar issues relating to the reconciliation of the Fixed Asset Register to the accounts and ledger at year-end in 2018/19.</p> <p>This was addressed by Management during the audit for the position as at 31 March 2019. However, arrangements need to be put in place to ensure that this reconciliation is undertaken on a regular basis.</p>
Journals Access	The work on IT Controls is yet to be finalised as noted on page 4 of this report.
Housing Benefits, NNDR, and Council Tax system reconciliations to be timely	This was addressed by Management.
Declaration of Interests Monitoring Process to be Formalised	The Council has partially addressed this through an ongoing processes of refining the arrangements. However, we this has not yet been fully addressed.

## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £357k.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements 2018/19

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1a	Dr: Pensions Reserve			4,088	
(Council)	Cr: Net Pensions Liability				4,088
	Dr: Net Cost of Services (Past Service Cost)	4,088			
	Cr: Re-measurement of Pensions Liability		4,088		
Adjustments in respect of the McCloud Judgement and GMP Equalisation. The actuary had not included in their calculation an estimate of the value of these additional liabilities in their work on IAS19.					
1b	Dr: Pensions Reserve			901	
(Group)	Cr: Net Pensions Liability				901
	Dr: Net Cost of Services (Past Service Cost)	901			
	Cr: Re-measurement of Pensions Liability		901		
Adjustments in respect of the McCloud Judgement and GMP Equalisation. The actuary had not included in their calculation an estimate of the value of these additional liabilities in their work on IAS19. This figure is in addition to the difference at 1a, relating to the consolidated group entities liability.					
2	Dr: Comprehensive Income & Expenditure - Cost of Services (Depreciation)	2,264			
	Cr: Property, Plant, and Equipment				2,264
	Dr: Unusable Reserves			2,264	
	Cr: Comprehensive Income & Expenditure – Surplus on revaluation of property plan and equipment		2,264		
Confusion about the effective date of the valuation provided by the Valuer means depreciation had not been charged correctly for assets revalued in year. This results in a cumulative overstatement of asset values within the Balance Sheet, and an understatement of depreciation charged above the line in to the CIES. This would also impact the entries in the Movement on Reserves Statement (MiRS)					
3	Dr: Property, Plant, and Equipment			4,839	
	Cr: Revaluation Gain		4,839		
	Dr: Comprehensive Income & Expenditure – Surplus on revaluation of property plan and equipment	4,839			
	Cr: Unusable Reserves				4,839
This is the extrapolated error arising from the valuation records being incorrect together with the valuation increase in respect of assets included on a Depreciated Replacement Cost basis that had not been properly assessed.					



## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Adjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Other Operating Expenditure: Levies Cr: Gross Expenditure: Cost of Services: Non Service Specific	26,497	26,497	
	Expenditure relating to Levies had been incorrectly included within the Cost of Services analysis within the Comprehensive Income & Expenditure Statement. It should have been included 'below the line' within Other Operating Expenditure. A prior period adjustment of £26,890k was also required.			
2	Dr: Investment Property Cr: Non-Operational / Surplus Assets		9,515	9,515
	The Council's holding in the land at Manchester Airport had been classified as non-operational Property, Plant & Equipment (PPE). This classification did not comply with the Code. It was then reclassified as Surplus Assets which again, did not comply with the Code, given the nature of the asset and the Council's reason for holding this asset. It has now been reclassified as an Investment Property to properly comply with Code. A prior period adjustment of £9,100k was also required.			
3	Dr: Surplus Assets Cr: Surplus Assets Held for disposal		945	945
	The PPE balances included a category that was not Code compliant – Surplus Assets Held for Disposal. This has been removed with relevant assets transferred to Surplus Assets. The Balance Sheet line now referred to as Surplus Assets was previously described as Non-Operational Assets which was not a Code compliant class of assets.			
4	Dr: Earmarked Reserves incl. School Balances Cr: School Balances		9,677	9,677
	The balance sheet included a negative useable reserve for Schools Balances. However, by definition, usable reserves cannot be negative. The accounts have been amended so that Schools Balances are not separately shown on the face of the Balance Sheet and Earmarked Reserves have been reduced to more properly reflect the reserves available to use by the Council. Note 31 was also amended for this issue. A prior period adjustment of £6,310k was also made to the corresponding lines in the 2017/18 comparatives.			
5	Dr: Pension Reserve (Group Bal. Sheet) Cr: Reserves of Group Entities (Group Bal. Sheet)		19,661	19,661
	The Pension Reserve as stated in the Group Balance Sheet included the pension figures for the consolidated group entities. However, the Pension Reserve in the Group Balance Sheet should have reflected the same figures as the Council's single entity balance sheet because the statutory override which enables items to be charged to that Reserve is not applicable to the consolidated entities (as non-statutory bodies). As such, these pension entries were amended and those relating to the non-Council bodies form part of the new 'Reserves of Group Entities' line.			
	This and the other reserves related adjustments have had corresponding impact on the Group Movement in Reserves Statement (MIRS).			

## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Adjusted misstatements 2018/19

	Original Figure (£'000)	Revised Figure (£'000)
<b>7 Cash Flow Statement</b>		
Operating Activities: DWP Grants for Benefits	28,792	44,634
Operating Activities: Cash Received for Goods & Services	89,432	73,590
<p>The amount of grant received from DWP for Housing Benefit (HB) Rent Rebates had been incorrectly treated in the Cash Flow Statement. A reclassification of £15,842k which needed to reflect this in the correct line. A prior period adjustment of £16,973k was also required for the same issue.</p>		
<b>8 Cash Flow Statement (Other)</b>		
Operating Activities: Cash Paid for Goods & Services	233,768	224,595
Operating Activities: Housing Benefit Paid Out	29,143	28,336
Investing Activities: Purchase of Property, Plant & Equivalent	16,549	26,129
<p>The cash flow statements has been adjusted for a number of items flowing through from other amendments made. The revised positions represent cumulative changes to correct these issues. Prior periods amended as required.</p>		
<b>9 Movement in Reserves Statement (MIRS)</b>		
Unusable Reserves: Total Comprehensive Income & Expenditure (CIES)	(25,742)	(24,694)
<p>Correction made to update the MIRS for the Other Comprehensive Income and Expenditure to reflect the cumulative impact of all changes made to the CIES.</p>		
<b>10 Note 17 Operating Leases</b>		
Leases expiring 2019/20	19,225	0
Leases expiring between 2020/21 and 2024/25	249,205	278,209
<p>Note updated to reflect the substance and timing of the lease arrangements to which the council is party to as lessee.</p>		

### Disclosure amendments

Amendments were required to improve the clarity and presentation of the disclosure notes supporting the primary financial statements of the Council. The items adjusted and detailed above as adjusted misstatements, necessitated corresponding adjustments to the related disclosures.

Three notes required by the Code had been omitted from the draft statements. These notes have now been included as follows as Note 11 Levies, Note 22 Long Term Debtors, and Note 33 Financial Instruments Revaluation Reserve. In addition to code compliance, the inclusion of these notes also ensures users of the accounts have all of the necessary detail in relation to the Council's financial position.

A number of changes were made to Note 12 Property, Plant & Equipment. These included, but were not limited to, the classification of assets and the inclusion of the material comparator information for 2017/18 to support the 3<sup>rd</sup> Balance Sheet (01/04/2017) required due to the nature of the restatements.

## 5. VALUE FOR MONEY CONCLUSION

### Our approach to Value for Money

We are required to form a conclusion as to 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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The arrangements in place to manage this risk are appropriate and effective.</p> <p>The Council has strong arrangements for the application of the principles and values of sound governance. The Council is geared towards acting in the public interest, with the decision making process being underpinned by appropriate, timely, and reliable financial information.</p> <p>Overall, the Council maintains an adequate system of internal control although there is scope for improvement in some areas in relation to financial reporting.</p>	Yes
Sustainable resource deployment	<p>The arrangements in place to manage this risk are appropriate and effective.</p> <p>The planned use of the financial resources of the Council support the strategic priorities and maintaining the statutory functions. Assets are managed and utilised in such a way to facilitate meeting these priorities and functions.</p> <p>The workforce is deployed in such as way as to make this possible.</p>	Yes
Working with partners and other third parties	<p>The arrangements in place to manage this risk are appropriate and effective.</p> <p>The Council has put in place management and oversight functions to ensure that the work carried out with third parties helps achieve strategic priorities. This includes the effective commissioning of services where required. The commissioning and procurement functions of the Council support the delivery of strategic priorities.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified two significant Value for Money risk(s). The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Working with partners and third parties: governance and risk management</b></p> <p>The Council is working with Bury Clinical Commissioning Group (CCG) and other partners (such as local care providers), to help secure a sustainable health and social care economy.</p> <p>By putting in place arrangements for the Council, care organisations, and the CCG, to work more closely together, it is anticipated that developing new models of care for community health, primary care and social care services will have a significant impact.</p>	<p>We have reviewed the arrangements in place for the Council to work with its partners to deliver the transformation and strategic development of the Borough's health and social care economy, how the governance arrangements have operated, and how the arrangements and risks have been monitored and managed.</p> <p>This has included review of detailed consideration and reporting by internal audit, as well as other sources of information, and direct meetings with senior officers with direct responsibility for the programmes, such as the Executive Director of Children &amp; Young People, the (interim) Executive Director of Communities &amp; Wellbeing, and the Joint Chief Finance Officer for the Council and CCG.</p> <p>The Council has put in place a series of initiatives to provide greater insight, the increased need for key metrics to help identify early intervention measures, and ownership of the financial impact of operational decisions taken. Reports are submitted to the relevant meeting setting out the pertinent issues and decisions are appropriately recorded.</p> <p>There is evidence of appropriate and regular monitoring and reporting, including of financial due diligence around partner and scheme selection criteria.</p>	<p>The arrangements in place to manage this risk are appropriate and effective.</p>

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
<p><b>Sustainable Resource Deployment: financial resilience</b></p> <p>The Council continues to face significant financial pressures over the coming years both in terms of funding and revenue streams available, and increasing demand on services. The Council has a forecast budget gap over the coming years, and will need to deliver a programme of cost savings and management of service delivery in order to address this.</p> <p>The latest funding settlement has recently been announced by central government, as well as some additional amounts made available within the autumn budget statement for specific purposes.</p>	<p>In line with our planned approach, we have reviewed the Council's outturn against the 2018-19 budgeted position. There was an approximate £2.6m overspend on the revenue budget as was reported to Cabinet, 25 June 2019, and was supported by detailed dashboard analysis.</p> <p>The Council set a balanced budget for 2019/20. This took account of the impact of additional monies provided to the Council by central government and included reasonable assumptions in respect of the 2019/20 Funding Settlement. The total standstill (net) budget requirement for the 2019/20 revenue budget was approximated at £150.5m. However, this includes a savings programme of £11.9m for 2019/20 which is underpinned by approximately £4m of additional resources identified within directorates to assist the cash-flow of the programme of savings and £4.5m programme of savings which are already timetabled to be slipped into 2020/21. There are still significant budget pressures within the Council, and a programme of transformation and right-sizing of services is underway.</p> <p>As reported to Council, Cabinet, and relevant committees, the budget has been carrying ongoing slippage within the targeted savings identified in prior years. This failure to deliver agreed savings has contributed significantly to the Council's on-going financial challenges.</p> <p>The Council had arrangements in place in 2018/19 to monitor the achievement of saving plans during the year. This included regular reporting to management and to members. As a result, the Council was well aware throughout the year of those areas where savings plans were not on track and also where demand pressures continue to present a challenge to the financial position. The Council was able to identify some actions through its Budget Recovery Group which included actions such as review of key financial metrics, monitoring of related trackers, and review of the setting of action plans for 2019/20 onwards, and also the Review Delivery Team, who provided specific support to departments as they sought to make the necessary changes and savings.</p>	

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
<p><b>Sustainable Resource Deployment: financial resilience</b></p> <p>The Council continues to face significant financial pressures over the coming years both in terms of funding and revenue streams available, and increasing demand on services. The Council has a forecast budget gap over the coming years, and will need to deliver a programme of cost savings and management of service delivery in order to address this.</p> <p>The latest funding settlement has recently been announced by central government, as well as some additional amounts made available within the autumn budget statement for specific purposes.</p>	<p>These actions, which are not sustainable in a “Business As Usual” approach, were successful in helping the Council to mitigate the impact for 2018/19 and to contain the overspend.</p> <p>However, looking ahead, the Council is no longer in a position to continue to offset the risks to the financial plan through the use of non-recurrent fixes or the use of reserves since these are now reducing. This has been recognised by the Chief Executive and during the latter part of 2018/19, work began to refresh the Council’s corporate plan and priorities, and to change the Council’s structure and the roles and responsibilities of Executive Directors. It remains imperative that the Council delivers its Transformation Programme and other savings plans in 2019/20.</p>	

### Our overall Value for Money conclusion

Our draft auditor’s report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Bury Council  
Town Hall  
Knowsley Street  
Bury  
BL9 0SW

[Date]

Dear Karen

### **Bury Metropolitan Borough Council - audit for year ended 31 March 2019**

This representation letter is provided in connection with your audit of the financial statements of Bury Metropolitan Borough Council, the Council and Group, for the year ended 31 March 2019, for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law. I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council and Group's financial position, financial performance and cash flows.

### **Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used by the Council and Group in making accounting estimates, including those measured at current or fair value, are reasonable.

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# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council and Group involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council and Group's related parties and all related party relationships and transactions of which I am aware.

### Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

**Service Concession Arrangements**

I am not aware of any material contract variations, payment deductions or additional service charges in 2018/19 in relation to the Council and Group's PFI schemes that you have not been made aware of.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

**Going concern**

To the best of my knowledge there is nothing to indicate that the Council or and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

**Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Chief Finance Officer .....

Chair of the Audit Committee .....



# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of Bury Metropolitan Borough Council Report on the financial statements

#### Opinion

We have audited the financial statements of Bury Metropolitan Borough Council ('the Council') and its subsidiaries and joint ventures ('the Group') for the year ended 31 March 2019, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Bury Metropolitan Borough Council and the Group as at 31<sup>st</sup> March 2019 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where: the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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## DRAFT AUDITOR'S REPORT

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Conclusion on Bury Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Bury Metropolitan Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

#### Responsibilities of the Council

The Council 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 to review regularly the adequacy and effectiveness of these arrangements.

#### Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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## DRAFT AUDITOR'S REPORT

### Use of the audit report

This report is made solely to the members of Bury Metropolitan Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed our work on an objection raised in relation to the Council's financial statements for the year ended 31 March 2019. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Karen Murray  
For and on behalf of Mazars LLP

One St Peters Square, Manchester, M2 3DE  
[Insert date]

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# APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



## CONTACT

### **Engagement Lead**

Karen Murray

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