

Annual Audit Letter

Bury Metropolitan Borough Council

Year ended 31 March 2019





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1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Bury Metropolitan Borough Council for the year ended 31 March 2019. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 8 November 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2019 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
Other information published alongside the audited financial statements	<p>Our auditor's report issued on 8 November 2019 included our opinion that:</p> <ul style="list-style-type: none">• The other information in the Statement of Accounts is consistent with the audited financial statements.
Value for Money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, that the 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.</p>
Reporting to the group auditor	<p>In line with group audit instructions issued by the NAO in June 2019, we reported to the group auditor in line with the requirements applicable to the Council's WGA return on 8 November 2019.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p> <p>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. We have not received any such objections in respect of the Council's accounts for the year ended 31 March 2019.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements	Unqualified
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The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council’s financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor’s report, issued to the Council on 8 November 2019, stated that, in our view, the financial statements give a true and fair view of the Council’s financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

Financial statement materiality	Our financial statement materiality is based on 2.0% of Gross Revenue Expenditure at Surplus/deficit on Provision of Services level.	£11,790,000
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£357,000
Specific materiality	We have applied a lower level of materiality to the following area of the accounts: Senior officers remuneration.	£5,000

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Panel within the Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Significant risk	Description of the risk
Management override of controls	<p>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.</p> <hr/> <p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• 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. <hr/> <p>Audit conclusion</p> <p>We have not identified any significant matters arising from our testing of the risk of management override of controls.</p> <hr/>

2. AUDIT OF THE FINANCIAL STATEMENTS

Significant risk	Description of the risk
Valuation of Property, Plant, and Equipment	<p>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.</p> <p>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.</p> <p>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.</p>

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.

Audit conclusion

Testing has provided material assurance in relation to this risk. However, we identified a number of issues which were reported to Those Charged with Governance.

We recommend improvements in arrangements and we report unadjusted misstatements.

2. AUDIT OF THE FINANCIAL STATEMENTS

Significant risk	Description of the risk
Valuation of defined benefit pension liability	The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2016.
	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.
	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.
	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.

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.

Audit conclusion

We have concluded that the estimate of the pensions liability is materially accurate.

Management have reviewed the basis of the estimate for the liability following the outcome of two recent court cases. These cases give rise to an additional liability of in respect of the Council and consolidated entities, with the total for the consolidated group being £4.989m. Management have decided not to amend the accounts on the grounds of materiality. This issue has been appropriately reported via the Audit Completion Report.

2. AUDIT OF THE FINANCIAL STATEMENTS

Enhanced Risk	Description of the risk
Valuation of Manchester Airport Investment	<p>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.</p> <p>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.</p>
How we addressed this risk	
<p>We have addressed this risk by:</p> <ul style="list-style-type: none">Assessing the scope of work, qualifications, objectivity and independence of the expert engaged to carry out the valuation assessment of the airport shares; andUtilising 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.	
Audit conclusion	
<p>We have assurance that the valuation of the Council's shareholding is materially correct.</p>	

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.



2. AUDIT OF THE FINANCIAL STATEMENTS

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;
- 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.



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
1 (high)	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)
2 (medium)	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)
3 (low)	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. VALUE FOR MONEY CONCLUSION

Value for Money conclusion	Unqualified
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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

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 overleaf.

Our overall Value for Money conclusion

Our auditor’s report dated 8 November 2019 includes an unqualified Value for Money conclusion for the 2018/19 financial year.



3. VALUE FOR MONEY CONCLUSION

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 Completion Report, we reported that we had identified two significant Value for Money risk. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p>Working with partners and third parties: governance and risk management</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 & Young People, the (interim) Executive Director of Communities & 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>



3. VALUE FOR MONEY CONCLUSION

Risk	Work Undertaken	Conclusion
Sustainable Resource Deployment: financial resilience 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. 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>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 & Young People, the (interim) Executive Director of Communities & 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>



4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	No matters to report
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- Issue a report in the public interest
- Make a referral to the Secretary of State where we believe that a decision has led to, or would lead to, unlawful expenditure, or an action has been, or would be unlawful and likely to cause a loss or deficiency; and
- Make written recommendations to the Council which must be responded to publicly.

We have not exercised any of these statutory reporting powers.

The 2014 Act also 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. We have received one objection in respect of the Council's accounts for the year ended 31 March 2019 relating to payments made by the Council to a third party. We will consider this matter and respond in due course.

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

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We submitted this information to the NAO on 8 November 2019.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.



5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Audit Panel in January 2019.

Having completed our work for the 2018/19 financial year, we can confirm that our final fees are as follows:

Area of work	2018/19 proposed fee	2018/19 final fee*
Delivery of audit work under the NAO Code of Audit Practice	£89,882	TBC

*The final fee will include an additional charge of £600 in respect of work undertaken on the pension liability regarding GMP and McCloud legal rulings. This is subject to approval by PSAA Ltd.

Fees for other work

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

6. FORWARD LOOK

Audit Developments

Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. We have responded to the National Audit Office's consultation on the content of the Code (<https://www.nao.org.uk/code-audit-practice/about-code/>)

A new Code will be laid in Parliament in time for it to come in to force no later than 1 April 2020.

Financial Resilience

Government Spending Review

The Council will need to consider the outcome of any such reviews undertaken (following the December 2019 election), into its Medium Term Financial Plan. The Spending Review planned for 2019 was postponed, with Government indicating that any reviews for periods from 2020/21 will be undertaken during 2020. Regardless of the timing and period covered by the Spending Review, the Council recognises the key issue is the management of general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. It must, therefore, ensure it clarifies and quantifies how it will bridge the funding gap through planned expenditure reductions and/ or income generation schemes.

Local Authority Financial Resilience Index

CIPFA is moving forward with its financial resilience index, which it believes will be a barometer on which local authorities will be judged. We would expect the Council to have at least considered the index once it is formally released.

Commercialisation

The National Audit Office published a report on Commercialisation during 2019. Depending on the Council's appetite for Commercialisation, we would expect the Council to consider the outcome of the report and ensure any lessons learnt are incorporated into business practice.

Further, the UK Debt Management Office's Annual Report, published on 23 July 2019, reported that, as at 31 March 2019, the Public Works Loan Board's loan book was £78.3 billion with 1,308 new loans totalling £9.1 billion advanced during the year. As a result, we expect local authorities to clearly demonstrate:

- the value for money in the use of Public Works Loan Board funds to acquire commercial property
- the arrangements for loan repayment through the updated Statutory Guidance on Minimum Revenue Provision in 2019/20, 2020/21 and beyond.

Financial Reporting

UK Local Government Annual Accounts

The CIPFA/LASAAC Local Authority Code Board specifies the financial reporting requirements for UK local government. A consultation is underway to inform the direction and strategy for local government annual accounts. We will be submitting our response and suggest practitioners also voice their opinion.

Lease accounting

The implementation of IFRS 16 *Leases* in the Code is delayed until 1 April 2020. The Council will need a project plan to ensure the data analysis and evaluation of accounting entries is completed in good time to ensure any changes in both business practice and financial reporting are captured.



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