

Audit Committee
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** March 2021

Dear Members

Conclusion of pending matters– Audit completion report

Following on from our recent meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit completion report dated 18 January 2021.

The outstanding matters and the conclusions reached are detailed below:

Matter	Conclusion reached
Property, Plant, and Equipment (PPE) Valuations	We have completed our work on the valuations of the Council's PPE balances. We have identified a number of adjustments, which have been made to the accounts. These are summarised for your information in Appendix A.
Journals Testing	We have completed our work relating to the journal records of the Council and there are no matters to bring to your attention.
Income and Expenditure Testing	We have finalised our work in relation to the testing of income and expenditure, including cut-off. There are no matters to bring to the Committee's attention. However, some adjustments have been required to the Comprehensive Income & Expenditure Statement (CIES) and the key items are summarised in Appendix A.
Group Consolidation	We have completed our work relating to the Group Consolidation and there are no matters to bring to your attention.

<p>Post Balance Sheet Events</p>	<p>We have completed our work in this area and we have nothing to report to the Committee in respect of this issue.</p> <p>As part of this assessment we considered the impact of the Goodwin legal case relating to potential pensions liabilities. We have concluded that this would have an immaterial impact at Bury, and no adjustments have therefore been necessary.</p>
<p>Completion of audit closure procedures and final manager and partner review including receipt of signed financial statements and letter of representation.</p>	<p>As part of our audit closure procedures, we identified a number of presentational and disclosure amendments were required to your accounts. The finance team have actioned all of the requested amendments to improve the readability and clarity of the financial statements. We have summarised relevant amendments in Appendix A.</p> <p>None of these issues impact the reported outturn or financial position of the Council. There are no issues which we need to bring to the Committee's attention in this regard.</p>

If you wish to discuss these or any other matters then please do not hesitate to contact me.

Yours sincerely



Karen Murray
Partner

** March 2021

Appendix A – Updated Audit Findings

Adjusted misstatements

Details of adjustment	Assets £'000	Liabilities £'000	Reserves £'000	Income statement £'000
Dr Other Operating Expenditure				16,886
Cr Gross Expenditure Cost of Services				-16,886
Description of adjustment				
Losses on PPE disposals (relating to Academy conversions) has been charged within 'Cost of Services' (CoS) rather than within the 'Other Operating Expenditure' (Loss on Disposal of Property, Plant, & Equipment (PPE)) section within the Comprehensive Income & Expenditure Statement (CIES). There was nil impact on the reported outturn.				
Description of adjustment				
Dr Gross Income – Cost of Services				1,176
Cr Financing and Investment Income				-1,176
Description of adjustment				
Several transactions relating to investment properties, such as related income, had been recognised within the 'Cost of Services' section rather than the 'Financing and Investment Income & Expenditure' lines within the CIES. There was nil impact on the reported outturn.				
Description of adjustment				
Dr Gross Income Costs of Services				29,016
Cr Gross Expenditure Cost of Services				-29,016
Description of adjustment				
As part of our detailed review of the CIES transactions, it was identified that provisions movements had been incorrectly classified, although the overall impact was correct. This has been amended to reflect the net transaction value. There was a nil impact on the reported outturn.				
Description of adjustment				
Dr Gross Expenditure – Housing General Fund (CoS)				38,930
Cr Gross Expenditure – Non Service Specific (CoS)				-38,930
Dr Gross Income – Non Service Specific (CoS)				38,332
Cr Gross Income – Housing General Fund (CoS)				-38,332
Description of adjustment				
Movements relating to Housing Benefit income and expenditure needed to be reclassified from Non Service Specific within the Cost of Services to the Housing General Fund lines. There was a nil impact on the reported outturn.				
Description of adjustment				
Dr Gross Expenditure Cost of Services (CIES)				2,182
Dr Other Comprehensive Income & Expenditure (CIES)				6,482
Cr Property, Plant, & Equipment (PPE)	-8,664			
Dr Revaluation Reserve			6,482	
Cr Capital Adjustment Account			2,182	
Cr MIRS Adjustment				-8,664
Description of adjustment				
As part of our detailed review of the PPE valuation exercise for 2019/20, we identified a discrepancy in valuation methodology employed by your internal and external valuers when this should have been consistent. The impact was an £8.6m overstatement in the balance sheet carrying values as at 31 March 2020. This has been corrected on the balance sheet, through the reserves, and has had a corresponding impact on the reported Total Comprehensive Income & Expenditure reflected on the CIES to reverse out the previously recognised gain. There is no impact on the General Fund balance resulting from these adjustments.				

Disclosure amendments

In addition to the adjustments outlined above, the Council has made a number of amendments to the disclosures in the financial statements. These were largely to improve the context or disclosure of information in the statements including:

- Note 3 Expenditure and Funding Analysis has been amended to reflect the amendments made to the CIES as a result of the above noted issues, and to ensure consistency with the adjustments between the accounting and funding basis note.
- Note 9 required two large adjustments to reflect the need to write back the opening cumulative depreciation on the revaluation of Council Dwellings valued at £8,830k, and a similar write back for depreciation in 2019/20 for the same asset class at £10,593k. There is no Balance Sheet impact for these adjustments as the relevant asset lines show the correct net position.
- Note 13 relating to financial instruments has been amended for a number of issues, including to properly reflect contractual debtors (£39,793k) and contractual creditors (£35,853k) as financial instruments. Amendment was also required to reflect the fair value of the loans to Manchester Airport (£39,419k). Though these are material amendments, this is a disclosure issue only with no impact on the reported outturn or primary statements.
- Note 24 required the inclusion of an additional disclosure to support the Cash Flow Statement and provide a required analysis reconciling 'cash' and 'non-cash' movements relating to financing activities.
- Note 31.1 was amended to reflect the significant lease relating to land at Manchester Airport. Though a material amendment (£30,792k), this is a disclosure issue only with no impact on the reported outturn or primary statements.
- Improvements in narrative disclosures have been made to a number of notes, including accounting policies, events after the reporting date, financial instruments, and related parties.
- Corrections to typographical and other presentational items have also been made.

Independent auditor's report to the members of Bury Council

Report on the financial statements

Opinion

We have audited the financial statements of Bury Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2020, 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, the Collection Fund 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2020 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 2019/20.

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.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of property, plant and equipment and the Council's share of pension fund property assets

We draw attention to notes 18 and 37 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land and buildings, and the valuation of the Council's share of Greater Manchester Pension Fund's property assets. As disclosed in notes 18 and 37 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

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 Responsibilities for the Statement of Accounts 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 2019/20, 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.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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. 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.

Qualified conclusion on Bury Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Qualified conclusion – Except for

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, with the exception of the matters described in the 'Basis for qualified conclusion' paragraphs below, we are satisfied that, in all significant respects, Bury Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for qualified 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 April 2020, 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 2020.

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.

The Council has started to implement significant and ambitious plans for the reorganisation and transformation of the Council. Work has been underway to update and improve the overall governance and decision-making arrangements to support corporate planning, risk management, financial management, and performance management. However, these arrangements were not completely embedded during 2019/20. We consider this to present a weakness in the Council's proper arrangements for informed decision making.

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.

Use of the audit report

This report is made solely to the members of Bury 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.

Karen Murray
For and on behalf of Mazars LLP

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** March 2021