

<b>Report to:</b>	Audit Committee	<b>Date:</b> 12 October 2023
<b>Subject:</b>	Statement of Accounts 2021-22	
<b>Report of</b>	Executive Director of Finance	

## Summary

- 1.1 In accordance with the Accounts and Audit Regulations 2015 (as amended by the Accounts and Audit (Amendment) Regulations 2021) the Draft 2021/22 Statement of Accounts were signed by the Executive Director for Finance, S151 Officer on 29 July 2022 ahead of the 31 July 2022 deadline.
- 1.2 The year-end audit is undertaken by the external auditors Mazars, the Draft 2021/22 Statement of Accounts were issued to Mazars on the 29 July 2022, at the time of this report the audit of the accounts has been substantially concluded. This report details the changes made to the published Draft 2021/22 Statement of Accounts arising from the findings of the audit to date.
- 1.3 The Committee are asked to consider the updated 2021/22 Statement of Accounts (Appendix 2) and subject to there being no further material changes, delegate authority to the Chair of the Audit Committee, to sign-off the audited 2021/22 Statement of Accounts once the external auditors have confirmed completion of the 2021/22 audit.

## Recommendation(s)

- 2.1 Note the changes to the 2021/22 Statement of Accounts as a result of the annual audit as detailed in paragraphs 3.6 to 3.8 and 2021/22 Statement of Accounts Appendix 2).
- 2.2 The Committee are asked to consider the updated 2021/22 Statement of Accounts (Appendix 2) and subject to there being no further material changes, delegate authority to the Chair of the Audit Committee, to sign-off the audited 2021/22 Statement of Accounts once the external auditors have confirmed completion of the 2021/22 audit.
- 2.3 Delegate authority to the Chair of the Audit Committee and the Executive Director of Finance, S151 Officer, to sign the Letter of Representations upon completion of the 2021/22 audit.

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## **Background**

### **Reasons for Recommendation(s)**

- 3.1 Under the Local Government and Housing Act 1989 preparation of the Council's accounts must follow proper practices, which includes compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting.
- 3.2 It is a legal requirement that the Statement of Accounts 2021/22 are considered and approved by this committee, following the audit, and signed by the person presiding at this meeting. The legislation, Accounts and Audit Regulations 2015, as amended, set a target date for publication of the Audited accounts of 30 November 2022. The Statement of Accounts must be published by that date or as soon as reasonably practicable after the receipt of the auditor's final findings.

### **Report to Those Charged with Governance (ISA260) 2021/22**

- 3.3 The draft Audit Completion Report for 2021/22 (ISA260) was presented at the March 2023 Audit Committee (Appendix 1).
- 3.4 At the time of writing this report, Mazzars propose to issue:
- An unqualified audit opinion without modification, on the 2021/22 financial statements. The proposed audit opinion is included in Appendix B of the draft auditor's report.
  - Value for Money arrangements work is not yet complete and Mazzars will report their findings in our Auditor's Annual Report later in the year. On the basis of the work completed to date Mazzars expect to report significant weaknesses in arrangements in relation to the Council's arrangements for financial reporting and in respect of the outcome of the Ofsted inspection of children's services. Further detail on our value for money arrangements work is provided in section 7 of the draft auditor's report.
- 3.5 A summary of the key headlines is set out within of the draft Audit Completion Report and in the various appendices.

### **Summary of the Audit Findings and Amendments**

- 3.6 There are a number of adjustments to the Statement of Accounts arising from the findings of the audit. The updated Statement of Accounts are available at Appendix 2.
- 3.7 The main adjustments to the statements identified by both officers and the external audit team are outlined below:
- The external valuation of Manchester Airport was revised downwards by £14.8m. This impacted on Bury's accounts and a prior period adjustment was required. There was a significant change to the value of long-term investments shown on Bury's Balance Sheet and on other changes on the Financial Instrument notes. The revision of the external valuation of Manchester Airport impacted on all Greater Manchester Councils, who also owned shares in Manchester Airport.
  - There were a number of amendments relating to the asset register, which have been adjusted for. These amendments were mainly caused by historical issues on the Council's asset register. The amendments were:

- A £4.6m adjustment between two unusable reserves – the Revaluation Reserve and the Capital Adjustment Account – was required. The amendment was required due to historical errors relating to the processing of technical revaluation transactions on Investment property. The amendment did not impact on cash reserves.
- Investment property revaluations of £0.5m were incorrectly posted to the revaluation reserve and should have been posted to the CIES.
- A school was incorrectly included on the Council's Balance Sheet at 31 March 2022, overstating Property, Plant and Equipment by £2.2m. Since the school had converted to an academy, it should have been shown as a disposal in accordance with the Council's accounting policy.
- There were a number of technical revaluation adjustments increasing the value of Housing Revenue Account stock by £6.8m. These were generally caused by the sequencing of revaluation and depreciation transactions in the context of the way the Fixed Asset register was set up.
- An historical debtor balance of £1.4m was also identified and needed to be written off.
- A debtor raised to correct an error within creditors was identified, that overstated both creditors and debtors by £3.8m within the balance sheet.
- Several errors were found in the calculation of the insurance provision, these errors meant provisions and expenditure had both been overstated by £0.7m.
- An amendment of £1.2m was required to correctly reflect timings of payment of insurance provisions between those due to be paid in the next year and those over a longer period.
- There was an amendment to the Capital Financing Requirement note that was updated by Management after the submission of the draft accounts and prior to the start of the external audit.
- There were adjustments to disclosure notes, including the Dedicated Schools Grant note, Remuneration disclosure notes and the Expenditure and Funding Analysis by Nature. These included some offsetting amendments between short- and long-term provisions and debtors and creditors.
- There was also a number of miscellaneous changes relating to disclosure notes.

3.8 Following the issue of the draft Audit Completion Report for 2021/22 (ISA260) presented at the March 2023 Audit Committee (Appendix 1). Further adjustments have been made to the statements identified by both officers and the external audit team as outlined below:

- The incorrect index had been used by the valuers, for the revaluation of two schools, the revised downward revaluation required an amendment of £1m.
- The debtor/creditor of collection fund preceptor balances had been overstated by £3m.
- The actuaries on behalf of the Greater Manchester Pension Fund issued revised IAS19 actuarial valuation reports that increased the overall pensions liability by £11m.

## **Unadjusted Misstatements**

- 3.9 There are several misstatements identified during the audit that management has assessed as not being material either individually or in aggregate to the financial statements and have not been adjusted, of:
- Cut off income testing identified 2 invoices that had been posted to 2022-23 in error, these errors totalled £39k.
  - Cut off testing identified one error which related to expenditure having been posted to the incorrect accounting period, this error was £5k.
  - Testing of Debtors identified a number of historic balances that were no longer collectable, these totalled £1.8m of which £1.4m has been written off as part of the amendments to the financial statements listed above, leaving the balance to be investigated which has not been amended within these accounts.

## **Other Issues**

- 4.1 There was a nationwide technical issue on the treatment of infrastructure assets within Local Authority accounts. This was in relation to whether accounting rules should require any additional capital expenditure on infrastructure assets to be transacted alongside de-recognition of replaced components. The eventual solution to this technical issue was a statutory override approved by Parliament in December 2022. The statutory override will remain in place until 31 March 2025.
- 4.2 External audit raised challenges to the Greater Manchester Pension Fund on some stated asset values within their accounts. A share of these asset values form part of the quoted pension fund deficit shown within Bury's accounts. There are strict accounting rules to estimate pension fund deficits which require specific models to be applied to the valuation of pension assets versus the promised benefits to employees. All Greater Manchester Councils were in the same position in relation to the knock-on impact on their accounts, the solution was to instruct revised IAS19 reports be issued for 2021/22, these were received and the form part of the amendments listed above.

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## **Links with the Corporate Priorities:**

The production and publication of the Statement of Accounts provides valuable information to the residents of the Council and to its suppliers.

A strong financially sustainable Council is essential to the delivery of the Let's do it Strategy.

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## **Equality Impact and Considerations:**

The statement of Accounts is a record of past financial expenditure. It does not determine future resource allocation.

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## **Environmental Impact and Considerations:**

There are no implications to an increased carbon impact of this decision.

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**Assessment and Mitigation of Risk:**

<b>Risk / opportunity</b>	<b>Mitigation</b>
There is a risk of misstatement	Accounts are reviewed by Mazars and their opinion of these accounts is independent to the council.

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**Legal Implications:**

The requirement to externally audit the Council's statement of accounts is set out in the Accounts and Audit (England) Regulations 2015.

This report is submitted to Audit committee in accordance with the financial regulations as set out in the Council constitution.

**Financial Implications:**

The statement of accounts are an essential part of any organisation and represent the financial position of the business for that particular financial year. For public sector organisations they are statutory and give the public and central government assurance that tax payers money is being expended in an economic and efficient way. These accounts not only report the in year position but also the future stability of the organisation through the strength of its balance sheet and cash flow.

**Background papers:**

Appendix 1: draft Audit Completion Report (ISA260)

Appendix 2: 2021/22 Statement of Accounts

**Please include a glossary of terms, abbreviations and acronyms used in this report.**

<b>Term</b>	<b>Meaning</b>