

<b>Classification:</b> Open	<b>Decision Type:</b> Key
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<b>Report to:</b>	Audit Committee	<b>Date:</b> 23 September 2024
<b>Subject:</b>	Statement of Accounts 2021-22	
<b>Report of</b>	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 has been 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.
- 1.3 At the Audit Committee meeting on the 12 October 2023, the Committee approved the updated 2021/22 Statement of Accounts and delegated authority to the Chair of the Audit Committee and the then Executive Director of Finance to sign-off the accounts, subject to any further material changes.
- 1.4 This report provides an update of two material changes that arose and have subsequently been made to the 2021/22 Statement of Accounts in relation to the Capital Financing Requirement (CFR) figure and Bury Market impairment due to Reinforced Autoclaved Concrete RAAC being found in the roof and subsequent closure.
- 1.5 The Committee are asked to consider the updated 2021/22 Statement of Accounts (Appendix 2) and subject to any further material changes, delegate authority to the Chair of the Audit Committee and the Director of Finance, 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 two material changes to the 2021/22 Statement of Accounts since the accounts were last presented to Audit Committee on the 12 October 2023, as detailed in paragraphs 3.9 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 any further material changes, delegate authority to the Chair of the Audit Committee and the Director of Finance, 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 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 (The Code).
- 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, Mazars 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 Mazars will report their findings in our Auditor's Annual Report later in the year. On the basis of the work completed to date Mazars 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 Recap

- 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 posited 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 by external audit.
- 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.

## **Two Material Amendments to the 2021/22 Statement of Accounts**

3.9 Since the accounts were last presented to Audit Committee on the 12 October 2023, two material changes have arisen and subsequently changes have been made to the 2021/22 Statement of Accounts in relation to the Capital Financing Requirement figure and Bury Market impairment due to RAAC being found in the roof and subsequent closure as detailed:

- Capital Financing Requirement: a reconciliation of the Balance Sheet to the Capital Financing Requirement (CFR) was undertaken that discovered a discrepancy on the 1 April 2020 opening CFR balance of £42.673m, requiring a restatement from £259.305m to £301.978m, as detailed in Note 40(b) Prior Period Adjustments.
  - The understatement of the CFR by £42.673m was due to items including: Manchester Airport equity investment & loans, subsidiary loans and finance leases, prior to 2019/20 not being included within the CFR calculation and the accounting for loan principal repayments.
  - Whilst none of these items had any financial impact and are merely a representation & restatement, an adjustment from Unusable to Usable Reserves of £5.701m was required on the 1 April 2020 balance, increasing the available resources for the Council.
- Bury Market Impairment: following the discovery of Reinforced Autoclaved Concrete (RAAC) in the roof on the Bury Indoor Market Hall and the subsequent closure of the Market Hall from 26 October 2023. Due to the receipt of this information after the Balance Sheet date (31 March 2022), indicating these conditions existed at the end of the reporting period (31 March 2022), The Code requires the asset to be impaired, as detailed in Note 38 Events After the Balance Sheet Date.
  - The valuers have provided an impairment valuation and an adjustment of £5.084m (£2.090m revaluation reversal & £2.994m impairment) has been made to the accounts, in both the Property, Plant & Equipment heading of the Balance Sheet and Other Land & Buildings heading within Note 9 Property, Plant & Equipment, 31 March 2022 balances.

## **Unadjusted Misstatements**

3.10 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 and therefore has not been amended.

### **Other Issues: Local Audit Backstop**

- 4.1 The Government has begun the necessary statutory steps required to enforce the local audit backstop dates. On behalf of the Comptroller and Audit General and the National Audit Office, the Government has laid the updated Audit Code of Practice in parliament on 9 September.
- 4.2 This statutory instrument gives effect to the Government proposals to reduce the backlog of externally audited accounts and set out the requirements for local auditors to fulfil their responsibilities under the Local Audit and Accountability Act 2014.
- 4.3 On the 9 September the Government also published their findings from the consultation into their audit recovery plan, with the revised dates and more detailed advice over potential exceptions.
- 4.4 In its response to the consultation, the Government has confirmed that legislation, in parallel with The Code, will outline how some public bodies will be exempt from the backstop date. The exemptions include if auditors are considering a "material objection", if an objection is being appealed or still have an opportunity to, if a court application is required to verify the legality of certain lines of an account or if from 2023-24 the auditors "not yet satisfied with the body's value for money arrangements". If there is an exemption, the auditor must explain why and will be required to publish their opinion "as soon as practicable".
- 4.5 Following strong support for setting a statutory backstop from Local Authorities, with 83% of respondents backing the move, the Government has set the deadline of 13 December for outstanding accounts up to and including 2022-23. The Government response to the consultation stated that this date has been tested with audit firms, representatives from Local Government and key system partner organisations.
- 4.6 Future deadlines are:

<b>Financial Year Accounts</b>	<b>Deadline</b>
Up to & Including 2022-23	13 December 2023
2023-24	28 February 2025
2024-25	27 February 2026
2025-26	31 January 2027
2026-27	30 November 2027
2027-28	30 November 2028

- 4.7 The Government response has also stated there will be "unfortunate consequences" in the short-term as hundreds of 'qualified' and 'disclaimed' opinions will be published

"for a number of years". Despite this, the Government has advised that "other statutory duties", such as the value for money arrangements and public interest reports "remain a high priority".

- 4.8 In June, the MHCLG confirmed further funding of £15 million per annum for eligible local audit bodies up until 2024/25 to support with local audit financial reporting and to implement audit requirements related to Sir Tony Redmond's recommendations. The allocation for Bury Council for 2023/24 was £44,822.

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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 localised accounts process was established pursuant to the Local Audit and Accountability Act 2014, the system ensures that the Council's accounts are independently verified by the Council's external auditors Mazars ensuring good governance and financial transparency.

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.**

Term	Meaning