

# Audit Completion Report

Bury Metropolitan Borough Council –  
Year ended 31 March 2022

March 2023



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Members of the Audit Committee

Bury Metropolitan Borough Council  
Knowsley Place  
Knowsley Street  
Bury  
BL9 0SW

30 March 2023

Dear Committee Members

## **Audit Completion Report – Year ended 31 March 2022**

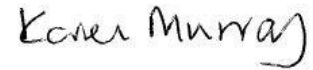
We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions based on the work we have completed to date.

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 15 March 2022. 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 07721 234 043.

Yours faithfully



Karen Murray

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# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 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 on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include the:

- Management override of controls;
- Net defined benefit liability valuation;
- Valuation of property, plant and equipment and investment properties; and
- Valuation of shareholding in the Manchester Airport Group PLC

## Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £68k. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022.

At the time of preparing this report, matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



### Audit opinion

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

We have not yet completed our value for money arrangements work and will report our findings in our Auditor's Annual Report later in the year. On the basis of the work completed to date we 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 this report.



### Whole of Government Accounts (WGA)

For 2021/22, the threshold for completing detailed audit work on the Council's WGA return has increased. The Council is below the revised threshold, however we expect the National Audit Office to select a sample of Councils where auditors will undertake detailed procedures. We are unable to commence our work in this area until we receive the list of sampled Councils.



### 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.

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# 02

Section 02:

**Status of the audit**

## 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Property, Plant and Equipment		Our detailed audit testing is complete. We are currently working with management to ensure all of the required amendments have been posted through the Council's Financial Statements. We will provide a verbal update at the meeting
Pensions		We are awaiting the conclusion on an error identified by the pension fund auditor at the Greater Manchester Local Government Pension Scheme fund.
Debtors		We are awaiting supporting evidence in relation to Collection Fund Debtors
Consolidated Accounts		We are currently awaiting responses to queries raised and agreement of amendments following receipt of audited subsidiary accounts. The group consolidation will also be impacted from the resolution of the GMPF error.
Value for Money		Our value for money work remains in progress.
Manager and Engagement Lead review		The work above will be subject to Manager and Engagement Lead review prior to final sign off.
Technical Review of Financial Statements		We are in the process of resolving queries arising from our technical review.
Financial statements, Annual Governance Statement and letter of representation		We will complete our final review of the financial statements upon receipt of the signed version of the accounts and letter of representation.



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.

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# 03

Section 03:

**Audit approach**



# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented to Audit Committee in March 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

Our materiality level, set at the planning stage of the audit, was £10.9m using a benchmark of 2% of gross operating expenditure. No changes to the materiality level set at the planning stage have been made.

## Use of experts

We set out in our Audit Strategy Memorandum our planned use of experts to assist in our audit procedures. There were no changes to our planned approach.

Item of account	Management's expert	Our expert
Defined benefit pension assets and liabilities	Hyman Robertson actuaries	PwC – Consulting actuary appointed by the National Audit Office.
Property, Plant and Equipment and Investment Property valuation	Align Property Services Carter Jonas (Council Dwellings)	We used available third party information to challenge the key valuation.
Financial instrument disclosures.	Link Asset Services	We reviewed Link's methodology to gain assurance that the fair value disclosures of the Council's financial assets and liabilities are materially correct.  We engaged our valuation experts to consider the methodology for the fair value valuation of loans to the airport.
Valuation of Manchester Airport land	Jacobs Ltd	Mazars' In House Property Valuations Team
Valuation of shareholding in Manchester Airport Holding Limited	BDO LLP	Mazars' Internal Valuations Team



# 3. Audit approach

## Group audit approach

The Council prepares Group accounts and consolidates the following bodies

- Six Town Housing Ltd,
- Bury MBC Townside Fields Ltd and
- The Persona Group of Companies.

Within our audit strategy memorandum, we set out our approach to the group audit. There has been no change to our planned procedures to the group accounts.

We have received the subsidiaries financial information and the Council's consolidation working papers. As highlighted in section 2 our work on the group consolidation remains in progress. We will report any matters arising from our remaining work in our follow up letter.



# 04

## Section 04: **Significant findings**

# 4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other 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 17 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

### Management override of controls

#### Description of the risk

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 there is a risk of material misstatement due to fraud on all audits.

#### How we addressed this risk

We addressed this risk by performing audit work over:

- accounting estimates;
- journal entries; and
- significant transactions outside the normal course of business or that are otherwise unusual.

#### Audit conclusion

We completed our procedures as planned. There are no matters to bring to the Committee’s attention in respect of our work on management override of controls.



## 4. Significant findings

### Net defined benefit liability valuation

#### Description of the risk

The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2019.

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 2021/22.

#### How we addressed this risk

To address this risk we

- reviewed the controls the Council has in place over the information sent to the scheme Actuary, including the Council's processes and controls with respect to the assumptions used in the valuation;
- evaluated the competency, objectivity and independence of the scheme Actuary, Hymans Robertson;
- reviewed the appropriateness of the methodology applied, and the key assumptions included within the valuation, comparing them to the expected ranges, utilising the information provided by PwC, the consulting actuary engaged by the National Audit Office.
- reviewed the methodology applied in the valuation of the liability by Hymans Robertson.
- agree the data in the IAS 19 valuation report provided by the Pension Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's and Group's financial statements

#### Audit conclusion

As highlighted in Section 2, our work on the valuation of the net defined benefit liability remains in progress. Work completed to date identified a misstatement relating to errors from the audit of GMPF. These are detailed in section 6. We will report any matters arising from our remaining work in our follow up letter.

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# 4. Significant findings

## Valuation of property, plant and equipment and investment properties

### 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 and investment property involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.

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 valued at their materially correct fair value. In addition, as the valuations are undertaken at the start of the year there is a risk that the fair value as the assets is materially different at the year end.

### How we addressed this risk

We addressed this risk by:

- assessing the Council's valuers' qualifications, objectivity and independence to carry out such valuations
- reviewing the valuation methodology used for assets subject to revaluation in 2021/22, including testing the underlying data and assumptions;
- engaging our internal valuations team as our auditors expert to review the valuations of the land at Manchester Airport
- reviewing the approach the Council has adopted to address the risk that those assets not subject to valuation in the 2021/22 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the Council's valuers; and
- considering movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time.

### Audit conclusion

As set out in section 2, we have completed our detailed audit testing and other procedures as planned.

Following the resolution of the sector-wide issue of accounting for infrastructure assets the Council carried out further work. As a result the Council has updated its accounting policy for infrastructure assets and updated the disclosure of these assets. The Council calculated the difference in depreciation in 2021/22 would be only £288k, and has not amended the balance of infrastructure assets as a result.

We are currently working with management to ensure the required amendments are correctly reflected in the financial statements. We will provide a verbal update to the meeting.



# 4. Significant findings

## Key areas of management judgement

### Valuation of shareholding in Manchester Airport

#### Description of the management judgement

The Council's shareholding in the Manchester Airport Group PLC has been valued by a firm of financial experts based on assumptions about financial performance, stability and key business projections. The figure disclosed in your accounts in relation to Manchester Airport Holdings Limited 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.

#### How our audit addressed this area of management judgement

We addressed this risk by:

- Assessing the scope of work performed/terms of engagement, qualifications, objectivity and independence of the expert engaged to carry out the valuation assessment of the airport shares.
- Utilising the services of our internal valuation experts to review the work completed by BDO as the Management expert and evaluate the appropriateness of the assumptions applied to arrive at the figure in the financial statements.

#### Audit conclusion

We completed our procedures as planned. Our work identified an adjustment affecting both the prior period and current year. This has been detailed within section 6 of this report.



# 4. Significant findings

## Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

The draft accounts were received from the Council on 29 July 2022 in line with agreed timescales. However, the draft accounts were not prepared to the required quality standards. Although there has been some improvement since the previous year, the accounts presented for audit contained several internal inconsistencies and material errors have been identified during the course of the audit.

Of particular concern, the draft statements published on the Council's website were subject to almost immediate change, before our audit began. This indicates the published draft statements had not been subject to an appropriate quality control review and challenge by management before they were made available for public inspection.

Furthermore, the working papers and other information required to support the accounts were not always available at the start of our work. In some cases, the working papers provided did not agree to the figures disclosed within the accounts once they were made available to us. The level of errors identified in the draft accounts and volume of amendments required has resulted in the need for additional work and has delayed completion.

We have had the full co-operation of management throughout the process.

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

## Significant matters discussed with management

During the audit we maintained a regular dialogue with management. Among the matters discussed through these conversations were:

### Covid-19

We continue to discuss the impact of the Covid-19 pandemic on the Council's operations and financial statements. In particular we focussed on the accounting treatment of grant income, and whether the Council accounts for these grants as a principal or agency relationship. We are satisfied there are no issues arising from the Council's treatment of Covid related grants.

### Impact of the War in Ukraine

The ongoing situation in Ukraine has far-reaching consequences for public sector organisations. As part of our audit we have discussed with management the impact of the war on the Trust's operations, and whether any disclosures are required in the Trust's financial statements. We are satisfied there are no issues arising which would require specific disclosures in the Trust's financial statements.

### Accounting for infrastructure assets

The Council holds a material value of Infrastructure Assets within its Property, Plant and Equipment balance on the balance sheet. During 2021/22 a national technical issue arose in respect of accounting for infrastructure assets. Normal custom and practice for (highways) infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

A Statutory override was approved by DLUHC in December 2022 with supporting guidance issued by CIPFA in January 2023. Our work in response is now complete and there are no matters to report.

### Manchester Airport Holdings Limited Valuation

The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2022. The valuation is determined according to a methodology and applying assumptions. Our approach to auditing this investment includes the involvement of Mazars in house valuation team. As a result of audit questions, the Council's external valuation expert revised their methodology and provided the Council with a revised valuation report for 2021/22. This reduced the Council's shareholding by £14.8m to £23.3m. The error in methodology applied to previous years as well as 2021/22 and the reduction in the valuation at 31 March 2021 was £14.3m. The Council has revised its draft financial statements and included a disclosure of a prior period adjustment reflecting the material value of the adjustment.





# 4. Significant findings

## Significant difficulties during the audit

During the course of the audit we did encounter some difficulties in:

- agreeing the accounting treatment for valuation movements for the Council's Property Plant and Equipment assets to ensure compliance with CIPFA code.
- obtaining confirmation of gross book values disclosed within the accounts
- the provision of transaction lists which reconcile to the draft statements from which to select an audit sample
- obtaining a year end analysis of debtors and creditor balances at a transaction level which show year end balances only.

However, we had the full co-operation of management in resolving the above.

## 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 2021/22 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. No such objections have been raised. No such questions were asked.

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# 05

Section 05:

**Internal control recommendations**

# 5. Internal control recommendations

The purpose of our audit was 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 in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or 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.	1
<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.	3
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	2



# 5. Internal control recommendations

## Significant deficiencies in internal control – Level 1

### Description of deficiency

The draft accounts were not prepared to the required quality standards. Although there has been some improvement since the previous year, the accounts presented for audit contained several internal inconsistencies and material errors have been identified during the course of the audit. Of particular concern, the draft statements published on the Council's website were subject to almost immediate change, before our audit began. This indicates the published draft statements had not been subject to an appropriate quality control review and challenge by management before they were made available for public inspection.

Furthermore, the working papers and other information required to support the accounts were not always available at the start of our work. In some cases, the working papers provided did not agree to the figures disclosed within the accounts once they were made available to us. The level of errors identified in the draft accounts and volume of amendments required has resulted in the need for additional work and has delayed completion.

### Potential effects

The Council may not have a good understanding of its financial position.

Public confidence in the financial governance of the Council could be undermined.

### Recommendation

Management should undertake a full debrief of the accounts preparation process to identify how the errors in the financial statements occurred.

Management should ensure there is an appropriate arrangement for quality control review in future years.

### Management response

A lessons learnt review from the 2020/21 accounts and audit was undertaken and presented to Audit Committee. A comprehensive accounts closure timetable was also prepared which assigned key tasks and responsibilities across a wider range of staff. Unfortunately the interim Chief accountant who was working with the authority and produced both of these documents left the Council before the end of March and another interim Chief accountant had to be engaged.

The 90 day consultation on the finance restructure was launched in March 2021 and the recruitment to the permanent posts is now nearly complete. Some long established staff who were part of the close down team left during the process which has caused some loss of continuity, this included the senior accountant and the capital accountant, other have been on extended periods of sick leave. Unfortunately errors have also been identified within this years accounts and delays have been experienced

The permanent Chief accountant took up post on the 6th March this year and has quickly got to grips with reviewing the closedown timetable for this year, providing year end accounts training for all staff involved and the corporate planning team have already established model working papers for year end



# 5. Internal control recommendations

## Other recommendations in internal control – Level 2

### Description of deficiency

Our review of Debtors included a review of the Councils control account reconciliation of the year end balances shown on the debtors system to that shown on in the ledger. The reconciliation detailed differences between the two of £109k. This difference had not been investigated.

### Potential effects

Failure to investigate and clear differences increases the risk that errors are not detected and debtors are not collected.

### Recommendation

The Council should ensure differences are identified and investigated promptly.

### Management response

A balance sheet reconciliation register will be compiled and implemented during 2023/24, this will include the identification of the key control accounts to include debtors, creditors, financial instruments, bank reconciliation, payroll, collection fund cash accounts etc. All balance sheet account codes will be assigned to a responsible and review officer and a timetable established to ensure frequent reviews are undertaken throughout the financial year with reporting to senior officers of those key controls.



# 5. Internal control recommendations

## Other recommendations in internal control – Level 2

### Description of deficiency

Our review of Debtors identified a significant number of debtors balances that were historic and no longer collectable. Debtors contained £1.8m of historic collection fund debtors that were no longer collectable. This meant that debtors were overstated.

### Potential effects

Failure to understand and review debtors balances on a periodic basis increases the risk that errors are not detected and debtors are incorrectly stated.

### Recommendation

The Council should the understand the detail within the debtor balance and undertakes a periodic review to ensure that debts are appropriate and collectable.

### Management response

There is a significant piece of work about to commence to review all historic debt owed to the Council, this will include both collection fund and general fund debt initially. As part of this work all balance sheet control accounts and bad debt provisions will be reviewed and consideration given to the most appropriate way of collecting the debt and whether some of it is no longer collectable and should be written off, but this will be once all avenues of collection have been explored.



# 5. Internal control recommendations

## Other recommendations in internal control – Level 2

### Description of deficiency

As part of our cash and bank testing we identified that the Paypoint account had year end balances had not been included in the Council statements. At year end the balance not transferred to the Council was £67k.

### Potential effects

Cash balances are understated and corresponding debtors may be overstated.

### Recommendation

The Council should ensure that all bank accounts are identified and included as appropriate.

### Management response



# 5. Internal control recommendations

## Other recommendations in internal control – Level 3

### Description of deficiency

Through our review of school bank reconciliations, we have identified a number of old reconciling items dating back to 2020. Total value of payments and receipts over 6 months old is £128,269.97 payments with unreconciled receipts totalling £3,926.47.

### Potential effects

Failure to clear reconciling items increase the risk of errors on the reconciliation not being identified.

### Recommendation

The Council should ensure un reconciled difference are cleared promptly.

### Management response

This will be covered through the implementation of a balance sheet reconciliation register process throughout the financial year.





# 5. Internal control recommendations

## Other recommendations in internal control – Level 3

### Description of deficiency

Our IT audit work identified active generic accounts on the Agresso Application system with privilege access rights in which the passwords are not managed through a secured password vault.

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### Potential effects

Generic user IDs reduce the accountability of actions performed on the application because it may be difficult to trace to a specific user.

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### Recommendation

The use of generic accounts should be discouraged. All accounts on the application systems should be created for specific purposes and mapped to specific individuals or processes. In the event generic accounts are required, these should be managed securely through a password safe.

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### Management response

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# 5. Internal control recommendations

## Follow up on previous internal control points

### Description of deficiency

The draft financial statements which were submitted for audit were not to the required standard. A number of material errors within the financial statements were identified during the audit process

### Potential effects

There is a risk that fundamental errors in the Council's reported financial position could be caused by a reoccurrence of these events.

### Recommendation

Management should undertake a full debrief of the accounts preparation process to identify how the errors in the financial statements occurred.

Management should ensure there is an appropriate arrangement for quality control review in future years.

### 2021/22 update

Although improvements have been made the Council still doesn't have sufficiently robust arrangements in place to ensure the accounts submitted for audit were of the required standard, due to a number of interim key finance positions.. Matter remains open.

### Description of deficiency

The Council's in-house valuer did not retain any supporting records and evidence to support the work carried out to arrive at the Council Dwellings valuation included within the draft accounts.

### Potential effects

Management have not complied with the requirement to maintain appropriate underlying financial records. Errors in the valuation cannot be identified. Additional costs are incurred where revaluations need to be re-performed. Delays to the audit processes.

### Recommendation

Management should ensure that the experts used understand the requirements of keeping adequate records of work completed in order to evidence the values within the accounts.

### 2021/22 update

The Council now uses an external valuer to undertake the valuation of Council Dwellings. Our testing did not identify any similar issues in 2021/22.



# 5. Internal control recommendations

## Follow up on previous internal control points

### Description of deficiency

As part of our work on PPE and investment properties it was identified that there were 50 assets which were classified within the fixed asset register and the draft accounts as investment properties but which were PPE assets. This suggests a deficiency in the controls around the fixed asset register.

### Potential effects

The incorrect classification of assets within the fixed asset register could lead to the assets being subjected to an incorrect valuation method. This could lead to material misstatements within the accounts.

### Recommendation

Management sure ensure that there is adequate review processes in place to ensure that the assets within the fixed asset register are both classified correctly and valued on the correct basis for the relevant classification.

### 2021/22 update

Our work on PP&E and investment properties did not identify any miss classification in 2021/22.

### Description of deficiency

As part of our audit work on debtors and creditors we identified a number of disclosure errors relating to the classification of debtors and creditors over the relevant categories within the notes. This is due to the year end balances in the accounts receivable and accounts payable systems not being analysed.

### Potential effects

This is likely to lead to material disclosure errors within the debtors and creditors notes within the statement of accounts.

### Recommendation

Management should implement processes to ensure that all year end debtors and creditors are correctly analysed.

### 2021/22 update

Our debtors and creditors testing did not identify any classification errors.



# 5. Internal control recommendations

## Follow up on previous internal control points

### Description of deficiency

As part of our audit review of property, plant and equipment we identified a number of assets within the fixed asset register had an incorrect asset life recorded. This resulted in the depreciation calculation for the year being inaccurate. We also noted that the asset lives for buildings had not been reviewed for a number of years.

### Potential effects

Inaccuracies in the asset lives data within the fixed asset register could lead to depreciation being materially misstated within the financial statements.

### Recommendation

For all asset entries ensure there is a check of reasonableness and accuracy of the asset lives data input into the system prior to posting to prevent inaccuracy in the depreciation calculation.

The instructions provided to the valuer should be request that the valuer provides an indication of the remaining useful lives of the assets subject to revaluation. This will provide assurance over the asset lives that are used are up to date and the resulting depreciation calculation will be more accurate.

### 2021/22 Update

Our testing of PP&E did not identify differences in asset lives used.

### Description of deficiency

Our audit work identified a number of leases where the contract had expired but the lease arrangement remained in place informally with the tenant continuing to occupy the properties and paying the rent without a contract in place.

### Potential effects

These informal arrangements could lead to the tenants vacating the properties at short notice as there is no contractual arrangement in place with an agreed end date. The Council may also not be receiving an appropriate market rent due to the rent not being subjected to a regular review.

There may also be implications for financial reporting under IFRS 16 once implemented.

### Recommendation

The Council should ensure that all leases are reviewed regularly, including a review of rent. It should also be ensured that the Council holds up to date lease documentation signed by both parties to the lease.

### 20/21 update

Our 2021/22 testing of leases did not identify any further issues.



# 5. Internal control recommendations

## Follow up on previous internal control points

### Description of deficiency

Our IT audit work identified some employees who had left the Council but who had retained access to Agresso and the Active Directory.

### Potential effects

Failure to remove user accounts from users who have left presents the risk that activities are performed by those not authorised to perform them.

### Recommendation

Ensure that leavers are communicated to the system custodians promptly and that access is revoked on or before the users' leave date.

### 2021/22 Update

### Description of deficiency

Our IT audit work identified that disaster Recovery tests were not performed during the year. Further, we noted that the Disaster Recovery site is in close proximity to the primary server.

### Potential effects

A lack of testing disaster recovery plans means any deficiencies in the effectiveness of the Council's resilience may not be detected.

Locating the Disaster Recovery site close to the primary server means that environmental issues affecting the primary server have a higher probability of also affecting the secondary server.

### Recommendation

Disaster Recovery should be tested at least annually to ensure resilience to issues affecting the primary server.

The Council should reposition the disaster recovery server at a greater distance from the primary server. If this is not possible the Council should implement controls to ensure the secondary server is protected from being affected by environmental issues which might affect the primary.

### 2020/21 update



# 06

Section 06:

## **Summary of misstatements**

# 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £327k (group threshold £329K). 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

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Accruals			526	
	Cr: Income		526		
Our cut off income testing identified 2 invoices that had been posted to 2022-23 in error. These errors totalled £39k. The above represents the total potential error when the error rate is extrapolated across the untested population					
2	Dr: Expenditure	458			
	Cr: Accruals				458
Our expenditure cut off testing identified one error which related to expenditure having been posted to the incorrect accounting period. This error was £5k. The above represents the total potential error when the error rate is extrapolated across the untested population					



## 6. Summary of misstatements

### Unadjusted misstatements (continued)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
3	Dr: Pension Liability			6,786	
	Cr: Pension Reserves				6,786
Represents the Council' share of an error identified in the GMPF auditor testing of pension assets					
	Dr. Debtors - Expected Credit Loss			465	
4	Cr. Debtors				465
Our testing of Debtors identified a number of historic balances that were no longer collectable. These totalled £1.8m. £1.3m has been written of as part of the amendments to the financial statements as detailed on page 32 leaving the above to be subsequently reviewed and corrected during 2022-23.					
<b>Total unadjusted misstatements</b>		458	526	7,777	7,709
<b>Net impact of unadjusted misstatement</b>			68		68





# 6. Summary of misstatements

## Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Loss on Disposal	2,183			
	Cr: CIES Depreciation		37		
	Cr: PP&E Other land and Buildings				2,146
Greenhill School converted to an academy in year. However, the Council did not remove the asset from its accounts.					
2	Dr: Financial Instrument Revaluation Reserve			14,800	
	Cr: Long Term Investments				14,800
The Councils valuation expert revised their value of the Council's shareholding in Manchester Airport Holdings Limited, reducing the value of the investment by £14.8m. This amendment also impacts on the reported 2020/21 valuation, reducing it by £14.3m, along with impacts on Other Comprehensive Income in the CIES and disclosure notes. The corresponding adjustment reduces the unusable reserves.					



# 6. Summary of misstatements

## Adjusted misstatements (Continued)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
3	Dr: Earmarked Reserves			1,370	
	Cr: Debtors				1,370
Our debtors testing identified a number of historical debtors that no longer existed and should have been written off.					
4	Dr: Creditors			3,770	
	Cr: Debtors				3,770
Our debtors testing identified an error relating to a debtor raised to correct an error within creditors. This overstated both creditors and debtors within the balance sheet.					



# 6. Summary of misstatements

## Adjusted misstatements (continued)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
5	Dr: Provisions			652	
	Cr: Expenditure		652		
<p>Our work identified several errors in the calculation of provisions. These errors meant provisions and expenditure are both overstated. These differences included an item for which a provision had been made with a value of £785k which was actually covered by a separate insurance policy meaning no liability falls to the Council and a provision is not required. .</p>					
6	Dr. Capital Adjustment Account			523	
	Cr. CIES, Financing and Investment Income and Expenditure		523		
<p>Investment property revaluations were incorrectly posted to the revaluation reserve. They should have been posited to the CIES</p>					



# 6. Summary of misstatements

## Adjusted misstatements (Continued)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
7	Dr: LT Provisions			1,200	
	Cr: ST Provisions				1,200
Amendment 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.					
<b>Total adjusted misstatements</b>		2,183	1,212	22,315	23,286



# 6. Summary of misstatements

## Disclosure amendments

Our review of the financial statements identified that a number of amendments were required to the disclosures in the financial statements to ensure compliance with the CIPFA Code. We have summarised the most significant of them below:

- **Prior Period Adjustment** – A prior period adjustment was required relating to the Council's investment in Manchester Airport. This reduced the value of the Council's investment by £14.3m in 2020/21 and adjusted the opening balance as at 1/4/2020 by £8.9m
- **DSG note** – the note has been revised to correct the totals disclosed within the note.
- **Financial Instruments Note** - The comparative figure for 2020/21 for the fair value of Loans to Manchester Airport has been amended from £110m to £49m. The amendment was made to reflect the revised methodology and approach the Council's expert applied in 2021/22 which should also have been retrospectively applied to 2020/21. Additional amendments have been made relating to classification of short and long term debtors of £550k and to include the fair value 2021/22 disclosure of the Manchester Airport Loans of £50,274k.
- **Senior Officer Remuneration Note** – The table has been updated to correct the fees and allowances and pension contributions for 3 of the roles disclosed.
- **Employees above £50k Note** – Changes made to the teaching staff numbers and to correct the remuneration banding for Deputy Chief Executive Officer.
- **Assets held for Sale Note** – Narrative changes made to ensure appropriate disclosure. An amendment was also between reclassifications and additions to correctly disclose the position.
- **Intangible Assets Note** – The brought forward values were amended by £5m
- **Revenue Grants receipts in Advance** – These grants were material in 2021/22. This means a disclosure note is required but this was not prepared for the draft accounts.
- **Capital Grants Receipts in Advance** – These grants were material in 2021/22. This means a disclosure note is required but this was not prepared for the draft accounts.
- **Expenditure and funding Analysis note 2.1** – Various changes required to this note to reflect amendments made elsewhere.
- **Expenditure and funding Analysis note 2.2** – Various changes to the values disclosed within this note as a result of the amendments made elsewhere.
- **Expenditure and Income Analysed by Nature note** – The note has been revised to ensure consistency with the CIES.
- **Grant Income Credited to Services** – An adjustment of £367k has been made to note 30 to ensure consistency within the accounts
- **Accounting for Schools Note** – Changes to the number of academies

Executive summary

Status of audit

Audit approach

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recommendations

Summary of  
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Value for Money

Appendices

# 6. Summary of misstatements

## Disclosure amendments (Continued)

- **Provisions Note** – Further narrative added relating to Insurance provisions.
- **Leases Note** – The operating leases disclosure notes for both lessee and lessor have been amended to correct a formulae error within the calculations provided.
- **Audit Fee Note** - the note has amended to reflect the correct fee.
- **Pensions Disclosure Notes** – Amendment to reflect detail within the Actuary's IAS19 report.
- **MIRS** – A number of changes were made to the entries within the MIRS to reflect the adjustments made to the accounts
- **Adjustment Between Accounting and Funding Basis Note** - A number of changes were made to the entries within the note to reflect the changes made to the accounts.
- **Reserves Notes** – Changes to disclosure notes to reflect adjustments made to the accounts.
- **Other Comprehensive Income** – Changes reflects amendments made elsewhere within the accounts.



# 07

Section 07:

**Value for Money**

# 7. Value for Money

## Approach to Value for Money

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within three months of giving the opinion on the financial statements.

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022. On the basis of the work completed to date we 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.

Our commentary on the Council's arrangements will be provided in the Auditor's Annual Report within 3 months of the date of our audit opinion.





# Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

# Appendix A: Draft management representation letter

To be provided to us on client headed note paper

[Date]

Dear Karen

## **Bury Metropolitan Borough Council - audit for year ended 31 March 2022**

This representation letter is provided in connection with your audit of the financial statements of Bury Metropolitan Borough Council ('the Council') for the year ended 31 March 2022 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 2021/22 (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 myself 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 Executive Director of Finance 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, Cabinet and committee meetings, have been made available to you.



# Appendix A: Draft management representation letter (continued)

### 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 Councils 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 in making accounting estimates, including those measured at current or fair value, are reasonable.

### 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 undisclosed 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 has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.



# Appendix A: Draft management representation letter (continued)

### Fraud and error

I acknowledge my responsibility as Executive Director of Finance 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’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’s related parties and all related party relationships and transactions of which I am aware.

### 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.

### 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.



# Appendix A: Draft management representation letter (continued)

**Covid-19**

I confirm that the Council has carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council and Group, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

**Going concern**

To the best of my knowledge there is nothing to indicate that the Council 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.

Yours faithfully

Sam Evans  
Executive Director of Finance



# Appendix B: Draft audit report

The draft audit report will be included at the conclusion of the audit.



# 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.



# Appendix D: Other communications

Other communication	Response
<b>Compliance with Laws and Regulations</b>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
<b>External confirmations</b>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ul>
<b>Going Concern</b>	<p>We have not identified any evidence to cause us to disagree with the Executive Director of Finance that the Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>





# Appendix D: Other communications

Other communication	Response
<p><b>Subsequent events</b></p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p><b>Matters related to fraud</b></p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit Committee, confirming that</p> <ul style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:               <ul style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ul> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ul>



## Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.