



Audit Completion Report

Bury Council – year ended 31 March 2022

3 December 2024

The Audit Committee
Bury Metropolitan Borough Council
Town Hall
Knowsley Street
Bury
BL9 0SW

3 December 2024

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.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 15 March 2022.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, and as communicated to you in our audit progress reports and in discussions in meetings, we have concluded we are unable to complete the audit as originally planned, in advance of the backstop date of 13 December 2024.

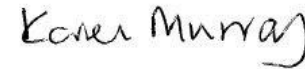
We recognise that members of the Committee will be disappointed that we have not been able to conclude our audit as planned. However, we will work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods.

We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

We express our thanks to your team for their assistance during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me.

Yours faithfully



Karen Murray

Forvis Mazars LLP

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.
Reports and letters prepared by appointed auditors and addressed to Bury Metropolitan Borough Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

01

Executive Summary

Executive summary

The scope of our audit and implications of the backstop arrangements

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you in March 2022. Since then, Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2022/23 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements. We have included our proposed audit report in Appendix B.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in

previous years. We provide more details on this in section 3.

Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out the internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We have identified three significant weaknesses in the arrangements in place to report in relation to the arrangements the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 4 of this report

Wider powers

We expect to make one recommendation to the Council under paragraph 2 Schedule 7 of the 2014 Local Audit and Accountability Act 2014 when we issue our audit opinion. Further details of this can be found in Section 4 of this report.

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. No such issues have been raised with us.

02

Audit Approach

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.

Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued in March 2022.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the identified risks. These risks are summarised below.

Significant risks

The significant risks identified at the planning stage of our audit, and our comments in respect of those risks are set out in Section 3.

Enhanced risks / areas of significant management judgement

Our comments in respect the area of significant management judgement are included section 3.

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

Audit Approach

Group audit approach

The Council prepares Group accounts and consolidates the following bodies

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.

Group component	Approach adopted	Key points or matters to report
Six Town Housing Limited	●	No matters to draw to your attention.
Persona Group	●	No matters to draw to your attention.
Bury Townside Fields Limited	●	No matters to draw to your attention.

Full audit
Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

Audit of balances and/or disclosures
Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality

Specific audit procedures
Performance of specific audit procedures on the component's financial information

Review procedures
Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

03

Significant findings

Significant findings

Significant findings, including key areas of management judgement

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

- our audit conclusions regarding 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 [X] 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;
- any significant difficulties we experienced during the audit; and
- our wider responsibilities including our decision to issue a statutory recommendation to the Council

Significant findings

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 most of our procedures as planned.

However, we have been unable to obtain assurance in respect of the journals posted in relation the valuation adjustments required for Property, Plant and Equipment. This is discussed further on the next page.

Significant findings

Significant risks

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

We have been unable to complete our detailed audit testing and other procedures as planned.

During our audit testing, we had difficulty in agreeing the accounting treatment used by the Council for valuation movements for the Council's Property Plant and Equipment assets to ensure compliance with CIPFA code. We also had difficulty in obtaining confirmation of the gross book values disclosed within the accounts.

Significant findings

Significant risks

Valuation of property, plant and equipment and investment properties

Audit conclusion

A number of audit errors were identified from our testing including:

- a school had converted to Academy status during the year but had not been removed from fixed asset register
- investment property revaluations had been incorrectly posted to the revaluation reserve rather than through the Comprehensive Income & Expenditure Statement

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

In September 2023 a national issue arose in relation to the use of Reinforced Autoclaved Aerated Concrete (RAAC) in public sector buildings. RAAC was typically used between the 1950s and the 1990s as an alternative to standard concrete. However, RAAC is subject to structural failure and is now considered to be beyond its useful life such that buildings constructed with RAAC in roofs, floors and wall panels are subject to collapse. We asked the Council about RAAC in its estate in September 2023 because of the potential financial reporting issues. At that time, we understood the Council had not identified any RAAC in schools but in October 2023 the Council was forced to close the market building because RAAC was identified. Work to identify any other buildings that might contain RAAC and therefore present a safety risk is still on going. As at November 2024, the Council is not yet able to confirm it has identified any buildings which may have a shorter asset life than expected and where an impairment to the values recorded in the fixed asset register are required.

Without this information, we cannot be sure the value of Property Plant and Equipment is correctly reflected in the financial statements. This also has the potential to impact the accounting for valuation adjustments reflected in Capital Adjustment Account and Revaluation Reserve as well as the charges for depreciation and revaluations posted through the Comprehensive Income and Expenditure Statement. This also then impacts the Movement in Reserves Statement. Recognising the range of areas of the financial statements that could be affected, we consider this matter to be pervasive to the financial statements and are therefore unable to obtain the assurance we require such that we intend to disclaim our audit report.

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.
- agreed 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

The work we completed identified a misstatement relating to errors from the audit of GMPF. This is detailed in section 5.

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

Our work identified an adjustment affecting both the prior period and current year. This has been detailed within section 5 of this report.

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. However, we are unable to confirm the Council's policies in respect of Property Plant and Equipment with respect to impairments and depreciation.

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.

Significant matters discussed with management

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

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 Council's operations, and whether any disclosures are required in the financial statements. We are satisfied there are no issues arising which would require specific disclosures in the Council'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.

Significant findings

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.

Significant difficulties during the audit

During the course of our audit we encountered a number of significant difficulties.

As previously noted, the financial statements presented for audit were of poor quality and were not supported by comprehensive working papers. The turnover of key staff within the finance team, together with the loss of corporate knowledge, contributed to some significant delays in management providing required information to support our audit.

The failure to have completed key reconciliations in a timely way and to have cleared the reconciling items, also created difficulties with our work in respect of debtors, creditors and bank.

We had difficulties in obtaining transaction level listings for key areas of income and expenditure which delayed our ability to select items for sample testing. Once selected, responses provided were not always timely or complete.

The Council was unable to adequate explanations for capital accounting transactions and in particular how it had accounted for valuation movements.

- 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 made statutory recommendation under paragraph 2 of Schedule 7 of the Local Audit and Accountability Act 2014 as set out on the following page.

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.

Significant findings

Recommendations under paragraph 2 of Schedule 7 of the Local Audit and Accountability Act 2014

Our audit work has identified a number of significant weaknesses in the Council's arrangements for ensuring financial sustainability, governance and for improving the economy, efficiency and effectiveness of services. In particular, we draw attention to the Council's failure to:

- properly understand its financial position during 2021/22 and to continue to rely on the use of reserves to support the provision of services;
- manage risks, including with respect to the existence of RAAC in the Council's estate;
- improve internal controls so that weaknesses identified and reported to management by Internal and External audit and other regulators are addressed promptly;
- prepare materially accurate financial statements; and
- secure action to improve services to children.

We recommend the Council should, as a matter of urgency, develop a single Council-wide improvement plan to reflect the transformation and culture change needed across all Council departments to deliver the range, level and quality of services that is financially sustainable. Appropriate management and member oversight is required to ensure the improvement plan is delivering changes that are embedded into the organisation.

This recommendations will be sent to the Secretary of State for Housing, Communities and Local Government. The Council is required to consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which the recommendations were sent to them. At that meeting the Council must decide what action, if any, to take in response to the recommendations. The Council is required to publicise the meeting and, subsequently, the decision taken at the meeting.

Internal control conclusions

Internal control conclusions

Overview of engagement

As part of our audit, we obtained an understanding of the Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of the Council's internal controls, we are required to communicate to Audit Committee, as Those Charged with Governance, any significant deficiencies in internal controls that we identified in during our audit.

Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Council's internal controls relevant to the preparation of the financial statements 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 the Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which 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 report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of Audit

Committee

The significant deficiencies in the Council's internal controls that we have identified as at the date of this report are in set out on the following pages.

Other observations

We also record our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

Our other internal control observations, as at the date of this report, are set out in this section. These have been reported to management and have been included in this report for your information.

Whether internal control observations merit attention by Those Charged with Governance and/ or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Internal control conclusions

Significant deficiencies in internal control

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

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

See next page

Internal control conclusions

Significant deficiencies in internal control

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 2022 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 completed. Some long established staff who were part of the closedown team left during the process which caused some loss of continuity, this included the senior accountant and the capital accountant, other were on extended periods of sick leave. Unfortunately errors have also been identified within this years accounts and delays 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. Furthermore, it was acknowledged in early 2024 there was requirement to have a dedicated resource within the Corporate Finance team to undertake the accounts function and an interim Accountancy Manager (Accounts / Financial Control) was appointed in preparation for implementing an updated finance restructure which has been designed to ensure there is sufficient capacity and capability going forward

Internal control conclusions

Significant deficiencies in internal control

Description of deficiency

The Council's arrangements for accounting for its Property Plant and Equipment are inadequate. The Council does not have a good understanding of the assets it holds and their condition as demonstrated by failure to risk assess and inspect buildings for the existence of RAAC. The relationship between the Council's property function and finance team is not sufficiently strong to ensure the Council can properly account for its assets.

Potential effects

Service users may be exposed to safety risks as a result of Council's failure to risk assess and inspect its estate.

The Council is unable to account for its Property Plant and Equipment properly.

Recommendation

Management should review the corporate property function to ensure it has the capacity, skills and experience necessary to support the Council

Management should ensure the property team and the finance team have a shared understanding of Council's accounting policies with regard to valuation, depreciation and impairment requirements

Management response

As part of the accounts preparation each year an exercise is undertaken to compare the both the property system (Concerto) database listing to the finance fixed asset register system (Unit 4), to identify differences between the two data sets, that feeds into the listing of assets to the valuers. However, we acknowledge both the comment and recommendation that more joined up & aligned work can be done to improve the data held on both systems.

In undertaking the RAAC risk assessment exercise for all Council buildings, as there is currently no Corporate Landlord model within the Council, the master listings were disseminated to each service area to populate and return.

An agreed methodology has been applied in relation to the strategic assessment of RAAC in the Council's estate. At this point in time, there remains a small number of properties that require further investigating for the existence of RAAC which will be completed over the next few weeks with progress being reported through to Senior Management on a weekly basis. There are no current suspected/imminent risks associated with RAAC or RAAC in poor condition and the risk evaluation approach, which is under constant review, has determined the continued use of in-scope buildings to be a manageable risk whilst reassurance surveying is expedited.

In response to the recommendation the Council will implement a Corporate Landlord for the Council and ensure there is a complete master listing between the property & finance system, to provide assurance on the integrity & assurance of the values in the Property, Plant & Equipment note to the accounts.

Internal control conclusions

Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

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, 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.

Internal control conclusions

Other deficiencies in internal control

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 which is now in progress 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.

Internal control conclusions

Other deficiencies in internal control

Description of deficiency

As part of our cash and bank testing we identified the “Paypoint” account had year end balances had not been included in the Council statements. At year end, the balance not recorded 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

The Paypoint is included in the monthly bank reconciliation and the Paypoint file is now uploaded daily into the cash management system (Civica), although there will always be the timing issue of cash being received to file being uploaded.

Internal control conclusions

Other deficiencies in internal control

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

Following the Finance Team restructure implemented in February 2023, the school bank reconciliation is now performed by the Schools Finance Team on a monthly basis.

Internal control conclusions

Other deficiencies in internal control

Description of deficiency

The Council was unable to provide information to confirm the related party disclosures in the financial statements were correct. This was because a number of declarations of interest from both members and senior officers had not been completed on a timely basis.

Potential effects

Material related party disclosures may be omitted from the financial statements

Recommendation

The Council should ensure all members and senior officers record and regularly update their declarations of interest.

Management response

Democratic Services have put processes in place to ensure related party disclosures for members and senior officers is updated annually.

Internal control conclusions

Other recommendations on internal control

In our view, internal control should be strengthened in these additional areas when practicable.

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.

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.

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.

Management response

An exercise was undertaken of reviewing all Unit 4 users and permissions and we are currently implementing a monthly process whereby starters, leavers & movers listing will be reviewed on a monthly basis.

Additionally, a Unit 4 Security Review has been undertaken as part of the Unit 4 system upgrade project planning, that includes user access & role profiles to be updated and will incorporate further control measures and processes being implemented.

Internal control conclusions

Follow up of prior year recommendations on internal control

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.

Update for 2021/22

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. This was in part due to a number of key finance positions being vacant and filled by interim staff. This matter remains open.

Internal control conclusions

Follow up of prior year recommendations on internal control

Description of deficiency

As part of our work on Property Plant and Equipment and investment properties it was identified 50 assets which were classified within the fixed asset register and the draft accounts as investment properties but which were operational Property Plant and Equipment 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.

Update for 2021/22

Our work on Property Plant and Equipment and investment properties did not identify any mis-classification in 2021/22.

Internal control conclusions

Follow up of prior year recommendations on internal control

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.

Update for 2021/22

Our testing of Property Plant & Equipment did not identify differences in asset lives used. However, the absence of up to date records and inspections with regards to RAAC means we the Council cannot demonstrate that assets lives are correct.

Internal control conclusions

Follow up of prior year recommendations on internal control

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.

Update for 2021/22

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.

Internal control conclusions

Follow up of prior year recommendations on internal control

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.

Update for 2021/22

Although our sample testing did not identify any issues, the Council's internal audit team have subsequently reported weaknesses in respect of leases. They have noted that a number of large number of leases for commercial properties have passed the renewal dates and have been "held over" for a significant amount of time.

Internal control conclusions

Follow up of prior year recommendations on internal control

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.

Update for 2021/22

Our debtors and creditors testing did not identify any classification errors with the categorisation of balances within each note. However, errors were identified in the classification between debtor and creditor balances.

Internal control conclusions

Follow up of prior year recommendations on internal control

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.

Update for 2021/22

Our sample testing confirmed that leavers had been removed on a timely basis.

Internal control conclusions

Follow up of prior year recommendations on internal control

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.

Update for 2021/22

Awaiting management response

06

Summary of misstatements

Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £327k.

The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management. However, a number of other changes have been made to the financial statements by management which we have not considered as part of our audit work and which are not referenced in this report.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Summary Memorandum, issued in March 2022. There have been no subsequent changes to those figures.

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements

Unadjusted misstatements – Single Entity

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Our cut off income testing identified two invoices posted to 2022-23 in error totalling £39k. This adjustment represents the total potential error when the error rate is extrapolated across the untested population Dr Accruals Cr Income		526	526	
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 adjustment reported represents the total potential error when the error is extrapolated across the untested population Dr Expenditure Cr Accruals	458			458
This represents the Council' share of an error identified in the GMPF auditor testing of pension assets. Dr Pension Liability Cr Pension Reserve			6,755	6,755
Our testing of Debtors identified a number of historic balances that were no longer collectable. These totalled £1.8m. Of this, £1.3m has been written off leaving £465k unadjusted in the statements. Dr Debtors – Expected Credit Loss Cr Debtors			465	465
Aggregate effect of unadjusted misstatements	458	526	7,777	7,709
Net Effect		68	68	

Summary of misstatements

Unadjusted misstatements – Group

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Our cut off income testing identified two invoices posted to 2022-23 in error totalling £39k. This adjustment represents the total potential error when the error rate is extrapolated across the untested population Dr Accruals Cr Income		526	526	
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 adjustment reported represents the total potential error when the error is extrapolated across the untested population Dr Expenditure Cr Accruals	458			458
This represents the Council' share of an error identified in the GMPF auditor testing of pension assets. Dr Pension Liability Cr Pension Reserve			7,476	7,476
Our testing of Debtors identified a number of historic balances that were no longer collectable. These totalled £1.8m. Of this, £1.3m has been written off leaving £465k unadjusted in the statements. Dr Debtors – Expected Credit Loss Cr Debtors			465	465
Aggregate effect of unadjusted misstatements	458	526	8,467	8,399
Net Effect		68	68	

Summary of misstatements

Adjusted misstatements

The misstatements in the tables in the following pages reflect the adjustments made by management.

We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Audit Committee, as Those Charged with Governance, should be made aware of.

There are a number of adjustments that also impact the Movement in reserves statements and although primary statements we have not listed these.

Summary of misstatements

Adjusted misstatements – Single Entity

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
<p>Greenhill School converted to an academy in year. The Council did not remove the asset from its asset register and accounts.</p> <p>Dr Loss on Disposal Cr CIES Depreciation Cr Property Plant & Equipment (other land & buildings)</p>	2,183	37		2,146
<p>The Councils valuation expert revised their value of the Council's shareholding in Manchester Airport Holdings Limited. This reduced 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.</p> <p>Dr Financial Instrument Revaluation Reserve Cr Long Term Investments</p>			14,800	14,800
<p>Our debtors testing identified a number of historical debtors that no longer existed and should have been written off</p> <p>Dr Earmarked Reserves Cr Debtors</p>			1,370	1,370
<p>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</p> <p>Dr Debtors Cr Creditors</p>			3,770	3,770
<p>Our work identified errors in the calculation of provisions. Provisions and expenditure were overstated. This included a provision with a value of £785k which was covered by an insurance policy meaning so liability falls to the Council.</p> <p>Dr Provisions Cr Expenditure</p>		652	652	
Continued over page				

Summary of misstatements

Adjusted misstatements – Single Entity continued

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
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. Dr Long Term Provisions Cr Short Term Provisions			1,200	1,200
Investment property revaluations were incorrectly posted to the revaluation reserve. They should have been posited to the CIES. Dr Capital Adjustment Account Cr CIES Financing & Investment Income & Expenditure		523	523	
Adjustment to correct the Net Book Value of council houses due to the Council's change in the date of valuations and had continued to charge depreciation for a full year in error. Dr PPE Cr Capital Adjustment Account			6,809	6,809
Our valuation testing identified that additions had not been correctly accounted for within the valuation process and had overstated the value of PPE. The adjustment is to correctly account for additions before valuation. Dr Revaluation reserves Cr PPE			1,828	1,828
Our valuation testing identified that the valuer had applied the incorrect BCIS rate for two schools for Parrenthorn and Derby High Dr Revaluation reserves Cr PPE			1,055	1,055

Summary of misstatements

Adjusted misstatements - Single Entity continued

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Our testing of Collection Fund debtors testing identified that the preceptor debtor and creditor balances were shown gross and overstated the values disclosed. These should be presented as a net value Dr Collection Fund Creditors Cr Collection Fund Debtors			3,015	3,015
This represents the adjustment required to reflect the 2022 triennial valuation of GMPF Dr Pension Reserves Cr Pension Liability			11,031	11,031
An adjustment is required to correct the accounting for Manchester Airport shares and move from useable reserves to the capital adjustment account Dr Useable Reserves (Manchester Airport reserve) Cr Unusable Reserve (Capital Adjustment Account)			4,513	4,513
A further correct was required to correct the Manchester Airport Share Reserve Dr Unusable Reserve (Capital Adjustment Account) Cr Earmarked Reserves (Volatility and Fiscal Mitigation)			10,214	10,214
Total Adjusted Misstatements	2,183	1,212	60,780	61,751

Summary of misstatements

Adjusted misstatements - Group

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
<p>Greenhill School converted to an academy in year. The Council did not remove the asset from its asset register and accounts.</p> <p>Dr Loss on Disposal Cr CIES Depreciation Cr Property Plant & Equipment (other land & buildings)</p>	2,183	37		2,146
<p>The Councils valuation expert revised their value of the Council's shareholding in Manchester Airport Holdings Limited. This reduced 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.</p> <p>Dr Financial Instrument Revaluation Reserve Cr Long Term Investments</p>			14,800	14,800
<p>Our debtors testing identified a number of historical debtors that no longer existed and should have been written off</p> <p>Dr Earmarked Reserves Cr Debtors</p>			1,370	1,370
<p>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</p> <p>Dr Debtors Cr Creditors</p>			3,770	3,770
<p>Our work identified errors in the calculation of provisions. Provisions and expenditure were overstated. This included a provision with a value of £785k which was covered by an insurance policy meaning so liability falls to the Council.</p> <p>Dr Provisions Cr Expenditure</p>		652	652	
Continued over page				

Summary of misstatements

Adjusted misstatements Group continued

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
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. Dr Long Term Provisions Cr Short Term Provisions			1,200	1,200
Investment property revaluations were incorrectly posted to the revaluation reserve. They should have been posited to the CIES. Dr Capital Adjustment Account Cr CIES Financing & Investment Income & Expenditure		523	523	
Adjustment to correct the Net Book Value of council houses due to the Council's change in the date of valuations and had continued to charge depreciation for a full year in error. Dr PPE Cr Capital Adjustment Account			6,809	6,809
Our valuation testing identified that additions had not been correctly accounted for within the valuation process and had overstated the value of PPE. The adjustment is to correctly account for additions before valuation. Dr Revaluation reserves Cr PPE			1,832	1,832
Our valuation testing identified that the valuer had applied the incorrect BCIS rate for two schools for Parrenthorn and Derby High Dr Revaluation reserves Cr PPE			1,055	1,055

Summary of misstatements

Adjusted misstatements Group continued

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Our testing of Collection Fund debtors testing identified that the preceptor debtor and creditor balances were shown gross and overstated the values disclosed. These should be presented as a net value Dr Collection Fund Creditors Cr Collection Fund Debtors			3,015	3,015
This represents the adjustment required to reflect the 2022 triennial valuation of GMPF Dr Pension Reserves Cr Pension Liability			11,031	11,031
Ongoing disputes regarding balances outstanding between Bury and Six Town Housing have been agreed and settled resulting in a write-off Dr Creditors Dr Useable reserves (subsidiary) Cr Debtors			633 667	1,300
This represents the adjustment required to reflect the 2022 triennial valuation of GMPF for Six Town Housing and Persona Dr Pension Liability Cr Pension Reserves (Subsidiary)			2,847	2,847
Our work on the group consolidation identified an adjustment required to the value of Six Town Housing housing properties to ensure the valuation was on the correct basis. Dr PPE Cr Usable Reserves (subsidiary) Cr Unusable Reserves (subsidiary)			2,827	1,492 1,335
Our work on consolidation identified amendments to correctly disclose Persona pension (IAS19) figures in Group accounts Dr CIES cost of service Dr CIES Financing and Investment Income Cr CIES actuarial Gains and Losses			1,274 243	1,517
Continued over page				

Summary of misstatements

Adjusted misstatements Group continued

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Our work on consolidation identified an intergroup adjustment was made on the wrong CIES classification (Local Authority Housing) but should be classified as Non service specific. Dr CIES LA Housing Cr CIES Non Service specific	26,183	26,183		
An adjustment is required to correct the accounting for Manchester Airport shares and move from useable reserves to the capital adjustment account Dr Useable Reserves (Manchester Airport reserve) Cr Unusable Reserve (Capital Adjustment Account)			4,513	4,513
A further correct was required to correct the Manchester Airport Share Reserve Dr Unusable Reserve (Capital Adjustment Account) Cr Earmarked Reserves (Volatility and Fiscal Mitigation)			10,214	10,214
Total Adjusted Misstatements	28,366	27,395	69,275	70,246

Summary of misstatements

Disclosure misstatements

We identified a high level of disclosure errors in the financial statements. These have been corrected by management and we report the most significant here:

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

Movement in Reserves Statement – A number of changes were made to the entries within the MIRS to reflect the adjustments made to the 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

Dedicated Schools Grant note – the note has been revised to correct the totals disclosed within the note.

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.

Other Comprehensive Income – Changes reflects amendments made elsewhere within the accounts.

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.

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.

Audit Fee Note - the note has amended to reflect the correct fee.

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

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.

Reserves Notes – Changes to disclosure notes to reflect adjustments made to the accounts.

Summary of misstatements

Disclosure misstatements

The disclosure error corrected by management continue:

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.

Pensions Disclosure Notes – Amendment to reflect detail within the Actuary's IAS19 report.

Capital Expenditure Financing Requirement note – has been amended to reflect errors identified during the course of the audit

Group Pensions disclosure notes – have been amended to reflect the revised IAS19 report for subsidiary companies

Other Amendments

During the course of the audit, management have made a number of amendments to the financial statements for both the Council and the Group that we have not reviewed. We have not included those changes in this report at section 6

It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements

We will obtain written representations confirming that, after considering the unadjusted disclosure misstatements, both individually and in aggregate, in the context of the annual report and financial statements taken as a whole, no adjustments are required.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications

Appendix A: Draft management representation letter

Forvis Mazars
One St Peter's Square
Manchester
M2 3DE

[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 and Group for the year ended 31 March 2022. I note that you intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

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 ourselves 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, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am 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 the s151 officer 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.

Appendix A: Draft management representation letter

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 and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council and Group's financial position, financial performance and cash flows.

Accounting estimates, including those measured at current or fair value

I confirm that the methods, significant assumptions and the data used by the Council and Group in making the accounting estimates, including those measured at current or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

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 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, as amended by the Code Update and applicable law.

Appendix A: Draft management representation letter

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

Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

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 and Group'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, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council and Group's related parties and all related party relationships and transactions of which I am aware.

Appendix A: Draft management representation letter

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Council and Group has no 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, as amended by the Code Update 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.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and Group, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 6 to the financial statements fairly reflects that assessment.

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note 6 to the financial statements fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Appendix A: Draft management representation letter

Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group 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. [TAILOR AS APPROPRIATE]

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council and Group’s risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council and Group’s financial and operating performance over the period covered by the financial statements.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

s151 officer

Appendix B: Draft audit report

Independent auditor's report to the members of Bury Metropolitan Borough Council

Report on the audit of the financial statements

Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of Bury Metropolitan Borough Council ("the Council") and its subsidiaries and joint ventures ("the Group") for the year ended 31 March 2022, which comprise the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Movement in Reserves Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2022, by 13 December 2024 ('the backstop date').

The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures.

In addition, the Council cannot confirm whether all buildings have been inspected for the existence of Reinforced Autoclaved Aerated Concrete (RAAC) and therefore the value of Property, Plant and Equipment may be materially misstated within the financial statements. This matter would have required a modification to our opinion on the financial statements in the absence of the backstop arrangements that have led to a disclaimer of opinion as described above.

Responsibilities of the Director of Finance for the financial statements

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements, including the Group financial statements, in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Council's arrangements for the year ended 31 March 2022.

In March 2022 we identified significant weaknesses in relation to Governance and Improving economy, efficiency and effectiveness for the year ended 31 March 2021. In our view these significant weaknesses remain for the year ended 31 March 2022:

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Significant weakness in arrangements – issued in a previous year	Recommendation
<p>Ofsted Inspection: Children’s Services</p> <p>The most recent full inspection of Children’s Services by OFSTED was carried out between 25 October and 5 November 2021, the service was assessed as “Inadequate”.</p> <p>In our view this is indicative of a significant weakness in the council’s arrangements in relation to the governance and improving economy, efficiency and effectiveness reporting criteria.</p>	<p>We recommend the Council puts in place robust arrangements to ensure the actions identified in its improvement plan are being delivered on time and are having the required impact on the quality of service provided to, and the safety of, children in the Borough.</p>
<p>Weaknesses in Internal Control</p> <p>We reported several issues including the poor quality of the draft accounts submitted for audit and the significant difficulties encountered during the audit process because of problems with underlying records. The issues identified affected significant balances within the draft accounts published by the Council.</p> <p>Additionally, internal control weaknesses have been highlighted by both Internal Audit and the Information Commissioner’s Office (ICO). Internal audit reports with limited assurance include the main accounting system, creditors, debtors and cash and bank.</p> <p>In our view, the totality of the issues identified indicate a significant weakness in relation to the governance reporting criteria.</p>	<p>The Council should ensure it has arrangements in place for strengthening and maintaining the adequacy and effectiveness of the internal control framework.</p>

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Responsibilities of the Accounting Officer

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or

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- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have made a written recommendation under section 24 of the Local Audit and Accountability Act 2014 during our audit of the accounts for the year ended 31 March 2022.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

Use of the audit report

This report is made solely to the members of Bury Metropolitan Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Bury Metropolitan Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Karen Murray, Key Audit Partner
For and on behalf of Forvis Mazars LLP

One St Peter's Square

Manchester

M2 3DE

Appendix C: Confirmation of our 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
Compliance with Laws and Regulations	<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>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>Our audit testing of related party disclosures identified weaknesses in the Council's approach to ensuring declarations from officers and members are complete.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> 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 b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with 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>Subsequent events</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>Matters related to fraud</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 where appropriate the Audit Committee, confirming that</p> <ul style="list-style-type: none"> a) they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; 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; c) they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and 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.

Contact

Forvis Mazars

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Partner

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Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

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