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Annual Audit Letter 2014/15

Bury Metropolitan Borough Council

October 2015



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies* summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees, the engagement lead to the Authority, who will try to resolve your complaint. Trevor is also the lead contact work under our contract with Public Sector Audit Appointments Limited. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This report summarises the key findings from our 2014/15 audit of Bury Metropolitan Borough Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 31 July 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity.</p>
VFM risk areas	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>Our work identified the following significant matters:</p> <ul style="list-style-type: none"> ▪ Savings plan. <p>We worked with officers throughout the year to discuss this VFM risk and our detailed findings were reported in the ISA260. There are no matters of any significance arising as result of our audit work in this VFM risk area.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 31 July 2015. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the Authority's Group, which consists of the Authority itself and Six Town Housing.</p>
Financial statements audit	<p>The Authority continues to maintain a good financial reporting process and produce statements of accounts to a good standard. The quality of working papers provided was good and in the main met the standards specified in our <i>Accounts Audit Protocol</i>.</p> <p>We did not identify any significant adjusted or unadjusted audit differences. We identified a number of presentational adjustments required to ensure that the accounts are compliant with the <i>Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')</i>. The Authority addressed all significant changes.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>
Whole of Government Accounts	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.</p>

We provide a summary of our key recommendations in Appendix 1.

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

High priority recommendations	We raised three high priority recommendations as a result of our 2014/15 audit work. These are detailed in Appendix 1 together with the action plan agreed by management. We will formally follow up these recommendations as part of our 2015/16 work.
Certificate	We issued our certificate on 30 September 2015. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
Audit fee	Our fee for 2014/15 was £154,170, excluding VAT. Further detail is contained in Appendix 3.

Appendix 1: Key issues and recommendations

This appendix summarises the high priority recommendations that we identified during our 2014/15 audit, along with your responses to them.

Lower priority recommendations are contained, as appropriate, in our other reports, which are listed in Appendix 2.

No.	Issue and recommendation	Management response / responsible officer / due date
1	<p>Payroll issue – establishment lists:</p> <p>Testing of starters and leavers on the payroll system identified issues with the completeness of documentation held by the RCT team. This is an ongoing issue which has previously been identified by internal audit. A mitigating control in relation to establishment listings has been implemented however this has not operated effectively throughout the full financial year.</p> <p>Recommendation</p> <p>To ensure accuracy and completeness of payroll data, establishment lists should be issued on a monthly basis.</p>	<p>Agreed. The establishment list was re-written during 2014/15 in Business Objects and has been sent to Departmental HR on a monthly basis requesting confirmation that the list has been checked and any required amendments reported to the Recruitment & Contracts team.</p> <p>Responsible Officer: Acting Assistant Director of Human Resources</p> <p>Due Date: With immediate effect</p>
2	<p>Purchase orders – authorised signatory list:</p> <p>There is no authorised signatory listing in place for purchases that are made outside of the P2P system. Although the value of payments made in this way is decreasing year on year, there is still a risk that the Authority is incurring expenditure which has not been appropriately signed off.</p> <p>This issue was also identified in an Internal Audit report in June 2015.</p> <p>Recommendation</p> <p>An authorised signatory listing should be drawn up immediately.</p>	<p>Agreed. 90% of invoices are approved and processed through P2P. Actions will be taken to further ensure the use of P2P and reduce the number of invoices made outside of the P2P system. The authorised signatory list to be drawn up in conjunction with departmental Heads of Finance.</p> <p>Responsible Officer: Head of Financial Management</p> <p>Due Date: With immediate effect</p>

Appendix 1: Key issues and recommendations (continued)

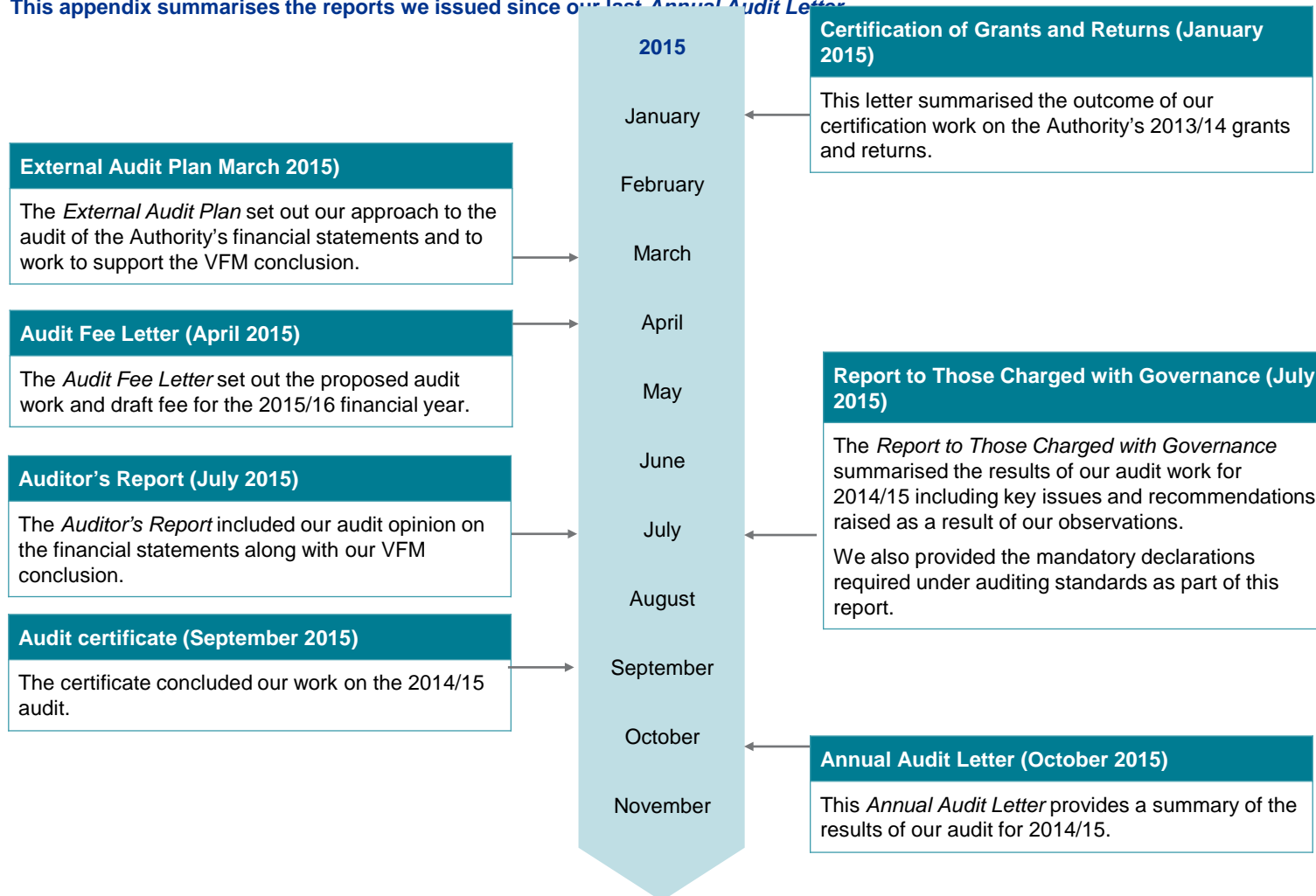
No.	Issue and recommendation	Management response / responsible officer / due date
3	<p>Prior year recommendations</p> <p>Four of the recommendations made following the 2013/14 audit have not yet been implemented.</p> <p>Recommendation</p> <p>The Authority should implement all the agreed actions as soon as possible.</p>	Agreed.

Follow up of previous recommendations

As part of our audit work we followed up on the Authority's progress against previous audit recommendations. As detailed at recommendation three above, the authority had not implemented four of the recommendations at the time of audit. We are pleased to report that significant progress has been made to implement the agreed actions.

This appendix summarises the reports we issued since our last *Annual Audit Letter*.

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This appendix provides information on our final fees for the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit of the Authority was £155,640 which is in line with the planned fee.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2016.

Other services

For 2014/15 we are undertaking certification work on the Teachers Pensions Agency grant claim and the Pooling of Housing Capital Receipts. Both of these claims fall outside of the Public Sector Audit Appointment's certification regime. Whilst fees are still to be agreed they not not exceed £7k.



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