Auditor’s Annual Report

Bolton Council – year ended 31 March 2024

February 2025

Contents

01

Introduction

Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Bolton Council (‘the Council’) for the year ended 31 March 2024. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Opinion on the financial statements
We issued our audit report on 27 February 2025. Our opinion on the financial statements was unqualified.

Value for Money arrangements
In our audit report we reported that we were not satisfied arrangements were in place for the Council to secure economy, efficiency and effectiveness in its use of resources, this is because we issued recommendations in relation to a significant weakness in those arrangements that is relevant to the 2023/24 financial year. Section 3 provides our commentary on the Council’s arrangements and a summary of our recommendations and the weaknesses identified.

Wider reporting responsibilities
We cannot formally conclude the audit and issue an audit certificate until the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2024 and of its financial performance for the year then ended. Our audit report, issued on 27 February 2025 gave an unqualified opinion on the financial statements for the year ended 31 March 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24. The Accounting Policies applied were appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 14 June 2024 and were of a good quality. There have been some adjustments and disclosure changes, however nothing that indicates a weakness of the Council's closedown processes or control framework. The Council finance team have provided us with timely responses to queries which have assisted with audit progress. There have been some delays in responses received from the Council's valuer.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Council.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

03

Our work on Value for Money arrangements

VFM arrangements

Overall Summary

VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.

Governance - How the Council ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work, we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding or arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 12.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements -** we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations -** we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	11	Yes – continuing significant weakness from 2022/23	Yes	No
Governance	14	Yes	Yes	No
Improving economy, efficiency and effectiveness	18	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to LG financing regime in 2023/24

During 2023/24 the Council continued to face significant challenges, against a backdrop of an adverse national economy and a cost-of-living crisis, the Council continued to see significant increase in demand for its services. The financial scarring of the pandemic on the Council continues to feature with loss of real income and additional costs from inflationary pressures. The Council has continued to work to understand the longer-term impact of the pandemic, and to adapt its financial plans over the medium term.

In response to these pressures, it is essential the Council has timely and accurate financial reporting to members and senior management, and decision makers make prompt decisions to maintain the financial sustainability of the Council.

2023/24 Financial Performance

We have carried out a high-level analysis of the audited financial statements, including the Movement in Reserves Statement and the Balance Sheet.

The Council's balance sheet has seen some significant movements within the year. Overall, the Council's net assets have decreased from £930.2m to £734m at 31 March 2024. There are two significant changes in the balance sheet. The first of these relates to the Council's share of the pension fund, being in a liability position for 2023/24 after previously being in an asset position. Large movements in the pensions balances are not considered unusual and the change from a surplus to a deficit position is typical across the sector for the financial year. There has also been a decrease in the value of the Council's property, plant and equipment portfolio of £36m compared to the prior year. The movements in property values reflect general movements in property values.

The November 2023 finance update report taken to Cabinet showed an overspend of £15m, of which £4.2m had been met through the further use of reserves. The quarter 3 aggregate monitoring report showed the delivery of savings had slipped and the use of reserves were expected to increase to £17.8m. The final outturn report taken to Cabinet in July 2024 set out that there has been an underspend against budget of £9m and an increase to reserves of £20.5m. Whilst this year end financial position is favourable for the Council, the disparity in reporting across the year makes it difficult for members to understand the true financial sustainability of the Council.

Whilst the Council's useable reserves have increased from £241.6m to £262.8m in 31 March 2024, the reserves are mainly earmarked for use on specific purposes. The table below sets out the reserves available to the Council to support the budget setting process.

Usable reserves	31/03/2023	31/03/2024
General fund reserve	£10.66m	£10.66m
Usable reserves to support budget setting process	£15.6m	£35.5m

The Council have been able to replenish reserves in 2023/24, following the significant weakness identified in 2022/23, and have created a £20m financial resilience reserve to help support the budget setting process.

The Council's financial planning and monitoring arrangements

In February 2023, the Council set a balanced budget for the 2023/24 financial year. The total net budget for the Council services was approved at £516m with an increase in Council Tax of 3.99% (including 2% Adult Care Precept).

The Medium-Term Financial Strategy (MTFS) is regularly taken to Cabinet and is included as a one-page document within budget reports. This MTFS shows a high-level assessment of the budget requirements. Although the MTFS is shares with members, it not a detailed level, and does not clearly set out the Council's planned response to deliver the identified savings requirements over the medium term.

The Council has a good track record of delivering their savings requirement. The Council delivered £4.2m in savings in 2023/24, although these do not go far enough to prevent there being a planned use of reserves.

The Council implements a financial and budget planning process that includes a range of activities and consultations. The budget setting process involved engagement with senior Council officers and incorporates discussion about the delivery of statutory services and priorities. Where additional resource are required to deliver services, these are scrutinised and challenged before they are included in the budget estimates. Service area business plans are updated annual to align with the Councils overall corporate priorities.

Where additional resources are required to deliver services, these are scrutinised and challenged before they are included in the budget estimates. Service area business plans are updated annually to align with the Council's overall corporate priorities. The service area business plans are used to highlight areas of potential savings and are monitored on a quarterly basis with the s151 Officer. Any under performance or budget variances would be identified and brought to members attention through quarterly reporting.

Overall commentary on the Financial Sustainability reporting criteria – continued

The Councils arrangements for identifying, managing and monitoring funding gaps and savings

The MTFS sets out savings required to bridge funding gaps over the medium term. The Council do this by forecasting the level of resources and budget pressures, relating to both capital and revenue spending. From discussions with management, we are aware there are a number of informal meetings held in the production of the MTFS. The Council ensure that these discussions are captured in the MTFS, and a detailed plan is regularly presented which clearly sets out the assumptions made. As in 2022/23, the MTFS is not sufficiently detailed to give members information about the financial sustainability of the Council, including the associated risks and opportunities. The MTFS should clearly link the Council's plans and strategies such as the Corporate Strategy, Capital Programme and Annual Revenue Budget. Given the timing of our previous recommendation, the Council did not have time to rectify the MTFS in 2023/24. We have reviewed the MTFS 2025/26-2028/29 which was presented to Cabinet in November 2024. This document is more comprehensive and provides members with greater insights about assumptions made and the challenging financial position the Council faces.

The Council's approach to 2024/25 and 2025/26 financial planning

The Council's arrangements for the 2024/25 budget setting process had largely followed the arrangements in place for 2023/24.

The budget for 2024/25 was approved at the February 2024 Council Meeting. The Council set a balances budget with total net expenditure for Council services of £563m with an increase in council tax of 4.99% (including 2% Adult Care Precept). At the start of the budget setting process an initial savings gap of £10.9m was identified which reduced following the implementation of the procedures outlined above. The budget set out identifiable savings of £8.6m and the need for a further £10m savings, to be met through the use of reserves. These unidentified savings have been reflected in the 2025/26 pressures. Projections at the start of 2024 showed a savings requirement of £20m, these have since reduced to £7.8m. A further £18.1m of financial pressure is forecast to be met through the use of reserves between 2025/27.

We have reviewed the quarter two financial report for 2024/25 which is currently forecasting a £14.7m overspend for the year, this is largely because of significant pressures in Childrens' Services of £13m. A recovery plan is in place to address the overspend in Children's Services and savings have been identified to bridge the spending gap for 2024/25. Of the £8.6m of savings originally identified, £8m is reported to have been delivered as at quarter two.

We have reviewed the 2024/25 budget papers and confirmed that the budget assumptions appear to be comprehensive, realistic and properly applied.

We considered the Council did not have adequate Financial Sustainability arrangements in place in 2022/23. Based on the above we consider these arrangements have not been appropriately addressed within 2023/24. We have included details of this continuing significant weakness on page 22.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

	Risk of significant weakness in arrangements	Work undertaken and the results of our work
1	**Corporate Risk Register** The Council has not maintained or reviewed its Corporate Risk Register within the 2023/24 financial year. Although risks have been managed at a directorate level, the Corporate Risk Register is the primary mechanism for identifying and managing strategic level risks that may affect the delivery of the Council's strategic priorities. Without proper ownership and regular review of the Corporate Risk Register there is a risk the Council is managing the wrong strategic risks, or does not have the appropriate processes and controls in place to address the key strategic risks it faces.	**Work undertaken** We have: • discussed the Corporate Risk Register with management and Internal Audit; and • understood the risk management process at a directorate level and reviewed a sample of reports. **Conclusions** In our view, the failure to review and update the Corporate Risk Register exposes the Council to avoidable risk and is evidence of a significant weakness in the Council's arrangements for governance (how the Council monitors and assesses risk).

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

The Councils Risk Management and Monitoring Arrangements

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency, In doing this is it responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk. The Council has a risk management framework inbuilt into the governance structure of the organisation. The Council's Constitution details that the Audit Committee is responsible for reviewing and monitoring those arrangements.

The Council has adopted a Risk Management Strategy which sets out the approach to managing risk which is regularly reviewed and updated. Risks registered are maintained at a department level. Within 2023/24 the Council has not maintained or reviewed their Corporate Risk Register. The Corporate Risk Register is a primary mechanism for identifying and managing strategic risks and ensuring that priorities are delivered. We have held discussions with officers and are aware that there is an overhaul to the risk management strategy within 2024/25.

The Council's annual Internal Audit plan is developed by the Head of Internal Audit, agreed with management at the start of the financial year and is reviewed by the Audit Committee prior to final approval. The audit plan is based on an assessment of risks that the Council faces and is designed to ensure that there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work can be supplemented, if necessary, by ad hoc reviews on suspected irregularities and other work to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2023/24 and 2024/25 and confirmed that they are consistent with the risk-based approach.

Internal Audit progress reports are presented to Audit Committee meetings including follow up reporting on recommendations. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion on the Council's governance, risk and control framework based on the work completed during the year. The Annual Report is presented at the December Audit Committee, in December 2024 the Head of Internal Audit's overall opinion on the Council's control environment in 2023/24 was "reasonable assurance".

However, the Annual Report included a reference to the challenges faced in delivering the audit plan due to insufficient resource within the team. Internal Audit have had to reprioritise the audit plan to focus delivery on higher risk areas. Going forwards, the Audit Committee will need to continue to monitor closely the delivery of the internal audit programme to ensure that the necessary assurance is being provided.

Arrangements for budget setting and budgetary control

The Council has an approved set of budget principles which are used during the budget setting process. The key budget principles are:

- The budget is initially prepared on the basis that current resources support existing service levels.
- Salary budgets are prepared with reference to the previous budget and are adjusted for pay awards, increments, approved service changes, savings and other approved variations.
- Services put forward proposals to amend existing fees and charges, or to introduce new fees and charges for Cabinet consideration and approval.
- Resources are redirected towards the Council's priority areas where possible.

We have reviewed the budget assumptions and consider these to be appropriate and are consistently applied.

Budget monitoring is the responsibility of budget managers with the support of the finance service. Each budget has a named budget manager and responsibilities are clear. Financial reports are produced monthly and regular meetings are held to discuss progress against the financial forecasts. Significant variances against budget are investigated and directors are required to identify and agree the corrective actions to be taken. Directors are also required to separately monitor the implementation of approved savings plans and to advise of any slippage or variation. We have reviewed a sample of the finance reports which have been prepared throughout the 2023/24 year which evidence that an appropriate level of detail is included to keep Directors, the Senior Leadership Team and members informed of any actual or potential overspends, including detail on how these areas are being managed.

Decision making arrangements and control framework

The Council has an established governance structure in place which is set out within its Annual Governance Statement (AGS). The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. The AGS is formally signed by the Chief Executive and Leader of the Council. The Governance Structure, as described in the AGS includes amongst other things the Constitution which sets out the approach to decision making. The Constitution is kept under review and updated as required.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

The Council has a comprehensive committee structure in place, as detailed in the Council Constitution. The committee structure includes Scrutiny Committees, as well as Regulatory and Standards Committees. Scrutiny meetings provide an opportunity for elected members to review performance of the Council and to challenge decisions made.

We have reviewed Council minutes in the year and have not identified any evidence of a weakness in arrangements. The reports we reviewed support informed decision-making and were clear in the decision or recommendation Members were asked to make.

The Council produce a medium-term financial strategy as part of their annual budget setting process, and this is presented at Cabinet for their consideration. The medium-term financial strategy presented in a short, one page document and does not give members sufficient information to support them in their decision-making process.

Legislative/regulatory requirements and standards

The Council's Constitution sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent. Supporting the Constitution are codes of conduct for Members and officers. Registers of gifts and hospitality and registers of interest are maintained for Members and officers and are available on the Council website. The Statement of Accounts records material related party transactions as well as senior officer pay and Member allowances.

The Council has a statutory responsibility to adopt a local plan which supports the allocation of land for use across the Borough. The Council must then consider applications submitted for development on the land in accordance with both national and local planning guidance. Applications can be submitted for major developments and regeneration schemes, or for smaller developments such as home extensions. The Planning Department leads on all work in this area, including making officer decisions in respect of some minor planning applications. Other applications are reported to the Planning Committee who consider the application and officer recommendations, including to impose conditions, before deciding whether or not to grant permission for the development to proceed.

The Council is able to charge a fee to applicants. However, an issue has been identified with the way in which the Council has been applying the fees but not meeting the required timescales for determining the application. As detailed in the Annual Governance Statement, work regarding this remains ongoing. Internal Audit are supporting management with a full review of planning compliance and a new Assistant Director has been employed for greater oversight.

During 2022/23, the Council discovered an alleged fraud carried out by a member of staff. This has been investigated in accordance with the Council's specified processes and the matter was referred to Greater Manchester Police at the earliest opportunity. The Council has cooperated fully with the police to support their investigation so that it could be referred to the Crown Prosecution Service. Separately, Internal Audit has reviewed the internal control weaknesses that allowed the alleged fraud to be perpetrated and has put in place an action plan to address them. The team has also followed up on the implementation of the actions agreed although work in this respect will continue.

Based on the above considerations, we consider the Council does not have adequate Governance arrangements in place, caused by the lack of Corporate Risk Register. We have therefore reported a significant weakness in the Council's arrangements in respect of Governance. We have included details of this significant weakness on page 21.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

The Council's arrangements for assessing performance and evaluating service delivery

The Council has a performance management framework in place and regularly reports against a series of performance indicators. Corporate performance against key performance indicators is presented to Cabinet on a quarterly basis. These reports show how the Council are performing against their KPI's, any underperformance would be raised to members. We have reviewed a sample of the reports and can confirm that the information within is presented in an understandable format for committee members to make informed decisions.

The Council's objectives are set out in its Corporate Plan 2022-24, 'Made in Bolton'. The Council's strategy focuses on the following themes:

- Start Well
- Live Well
- Age Well
- Prosperous
- Clean and Green
- Safe, Strong and Distinctive

This plan translates in to clear strategies with measurable outcomes to be delivered by the directorates within the Council. The Performance Dashboard, which is part of the corporate business planning process, summarises and reports on the key performance indicators within the framework, enabling the Council to monitor performance against their objectives.

The data is reported on a quarterly basis, following review by the cross-directorate project team, and is subject to scrutiny by Corporate Leadership Team (CLT), Directorate Leadership Teams (DLT) and key stakeholders, before being reported to Cabinet.

The Council's financial performance is also reported on a regular basis to Cabinet with details of the financial position together with a commentary on the rationale for any changes or other factors to be taken into account in understanding the position. In 2024 the Council have subscribed to LG Improve, who undertake balance sheet health checks against other local authorities.

Partnerships and Commissioning

The Council has a number of partnership arrangements in place, some more formal than others, contributing to the way in which the ambitions and priorities set out in the Corporate Plan are met. Some partnerships are underpinned by formal contracts for the delivery of services, others are used to bring together organisations, including those in the private and third sectors, to improve services for residents and taxpayers.

One of the key partnerships is Integrated Health and Care Partnership (ICP). A refreshed ICP Plan was published for 2022/23 which aims to improve health outcomes for the people of Bolton by working with partners including the hospital, other NHS services including community care, general practice and mental health services, the voluntary sector and the private sector. By working together, and by engaging with the local communities across the Borough, the ICP looks to ensure services are planned properly and delivered in a joined-up way in order to best meet the needs of service users.

The Council also works with a range of partners from the private sector to support economic regeneration across the Borough in line with the Vision for 2040. This has included working with the University of Bolton, the hospital and private sector to secure the funding for the construction of the new Institute of Medical Sciences building. Other projects, including housing schemes for Bolton town centre, Horwich and Farnworth, are underway with the aim of addressing both the Borough's housing need and its economic regeneration. The Council has a key role to play in the regeneration agenda both in terms of its own targeted interventions but also in accessing funds from a range of public sector sources including the Towns Fund, Levelling Up Funds, and Greater Manchester Combined Authority funding for brownfield sites, transport projects and so on.

The Council's strategic budget process, including the delivery of the Council's savings and efficiency programme, is carried out with consideration given to the priorities set out in the Vision. Reference to it is made regularly in reports taken to Cabinet and Council meetings.

Where the Council commissions or procures services, it does so in accordance with its procurement policy and procedures. This ensures it remains compliant with relevant legislation, professional standards and internal policies including Standing Orders. The Council and procurement rules such as Public Contract Regulations 2015 and Concession Contract Regulations 2016. The Council has adopted a social value policy intended to ensure Bolton's residents and businesses get the best impact for the Council's spend.

***Based on the above considerations we are satisfied there is not a significant weakness in Bolton's arrangements in relation to Improving Economy, Efficiency and Effectiveness*.**

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations

VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work, we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below.

	Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
1	**Corporate Risk Register** The Council has not maintained or reviewed its Corporate Risk Register within the 2023/24 financial year. Although risks have been managed at a directorate level, the Corporate Risk Register is the primary mechanism for identifying and managing strategic level risks that may affect the delivery of the Council's strategic priorities. Without proper ownership and regular review of the Corporate Risk Register there is a risk the Council is managing the wrong strategic risks, or does not have the appropriate processes and controls in place to address the key strategic risks it faces. In our view, the failure to review and update the Corporate Risk Register exposes the Council to avoidable risk and is evidence of a significant weakness in the Council's arrangements for governance (how the Council monitors and assesses risk).	●			The Council should develop a Corporate Risk Register review policy to ensure the regular maintenance of the register. Specifically, the Council should: • perform a thorough review of the risks facing the Council; including the impact, likelihood and identifiable controls and sources of assurance for addressing strategic risks; • ensure there are arrangements in place for regular review of the Corporate Risk Register by senior officers and Members; and • ensure sufficient information is made available to Members to allow them to appropriately scrutinise, assess and gain assurance over strategic risks.	The Council implemented a new risk strategy in June 2024 and performed a formal review of the Corporate Risk Register in December 2024.

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in a prior year

As part of our audit work in previous years, we identified the following significant weaknesses, and made recommendations for improvement in the Council's arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Council's progress against the recommendations made, including whether the significant weakness is still relevant in the 2023/24 year.

	Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
1	**Financial Sustainability** The Council's budget forecasts a use of £30m of reserves to bridge funding gaps in the three years ending 2024-2027 which would exhaust the reserves the Council has set aside to support the budget process. The Medium-Term Financial Strategy (presented to Cabinet in November 2024) is a high level, one page document that identifies funding gaps in each of the following four years but does not set out savings to bridge those gaps. The continued planned use of reserves to bridge funding gaps is evidence of an unsustainable reliance on reserves and a lack of action to address the underlying reasons for persistent overspending. In our view, without further action the Council risks being unable to plan and deliver services in a financially sustainable manner. The failure to address the underlying deficit is evidence of a significant weakness in the Council's arrangements for financial sustainability (how the Council plans to bridge its funding gaps and identify achievable savings) in 2022/23.	**Financial Sustainability**	The Council should develop sustainable financial plans to ensure services can be provided within available resources. Specifically, the Council should: • undertake a baseline assessment of the affordability of services and funding available against Council priorities; • develop a detailed plan to address the unsustainable use of reserves; and • ensure sufficient information is made available to Members to allow them to agree plans for savings and monitor the progress and delivery of those planned savings, across the medium term.	The Council has made some progress against the recommendation issued within our 2022/23 report. The final outturn report for 2023/24 demonstrated better financial resilience than previously projected during the November 2024 Cabinet meeting. The savings target of £4.3m was achieved, the General Fund Balance remained at £10.7m and there was a surplus position in quarter four of £9m. This surplus was achieved through some increased investment income and the reversal of the Manchester Airport credit loss allowance, which is one off in nature. There also continued to be a release of corporate resources to offset overspending within other directorates, mainly Children's Services. The Medium Term Financial Plan again consisted of a high-level one page document.	We consider this weakness has not been fully addressed and still exists for 2023/24

04

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

We cannot formally conclude the audit and issue a certificate until the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts.

05

Audit fees and other services

Audit fees and other services

Fees for our work as the Council’s auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in December 2024. Having completed our work for the 2023/24 financial year, we can confirm that our fees are as follows:

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£323,793	£110,751
Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised); ISA 540 (Revised); ISA 570 (Revised); and ISA 600 (Revised)	-	£3,500
Additional work in respect of the prior period adjustments	£3,800	£2,000
Additional fees in respect of Value for Money	-	£12,500
Additional fee in respect of Value for Money risk of significant weakness and continuing significant weakness	£17,000	£5,000
Implementation of new ISA 315 (Revised)	£15,690	£10,000
Additional fess in respect of work required on the net pension asset ceiling	£7,500	£10,000
Total fees	**£367,783**	**£153,751**

Appendices

Appendix A: Further information on our audit of the Council’s financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Management override of controls	**Description of the risk** In all entities, 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits. **How we addressed the risk** We addressed this risk through performing audit work over: • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements **Audit Conclusion** We have completed our procedures as planned. There are no matters to report in respect of our work on management override of controls.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

Risk	Our audit response and findings
Valuation of property, plant and equipment	**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 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. **How we addressed the risk** We have 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 2023/24, including testing the underlying data and assumptions; • reviewing the approach the Council has adopted to address the risk that those assets not subject to valuation in the 2023/24 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the 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 identified the following misstatements throughout the course of our work: The first relates to an indexation adjustment for assets not revalued in the year. The total increase has been posted to the revaluation reserve and we have included a estimated misstatement for the amount which should have been charged to the Comprehensive Income and Expenditure Statement. The second is an extrapolated misstatement as a result of inconsistencies noted within our sample testing. We have also raised a control recommendation regarding the Council's rolling revaluation programme. There are no other matters to report in relation to our work on valuation of property, plant and equipment.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

Risk	Our audit response and findings
Valuation of investment properties	**Description of the risk** The CIPFA Code requires that investment properties should be held at their fair value. The valuation of investment property involves the use of management auditor's 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. **How we addressed the risk** We have addressed this risk by: • assessing the Council's valuers' qualifications, objectivity and independence to carry out such valuations; • reviewing the valuation methodology used, 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; 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 Conclusions** We have completed our procedures as planned. There are no matters to report in respect of our work on valuation of investment properties.

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

Risk	Our audit response and findings
Net defined benefit pension liability valuation (Council and Group)	**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 2022. 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 2023/24. **How we addressed the risk** We have addressed this risk by: • obtaining an understanding of the skills, experience, objectivity and independence of the Pension Fund's actuary; • obtaining confirmation from the auditors of Greater Manchester Pension Fund that the Pension Fund have designed and implemented controls to prevent and detect material misstatement. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • evaluating and challenging the work performed by the Greater Manchester Pension Fund auditor on the Pension Fund investment assets, and considering whether the outcomes would materially impact our consideration of the Council's share of Pension Fund assets; • reviewing the actuarial allocation of Pension Fund assets to the Council including comparing the Council's share of the assets to other corroborative information; • reviewing the appropriateness of the Pension Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges and utilising information by the consulting actuary engaged by the National Audit Office; and • agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. **Audit Conclusions** We have identified the following Single Entity misstatements. The first relates to the disclosure of Pension Liabilities between funded and unfunded elements. The net assets in funded schemes and net liabilities in unfunded schemes should be disclosed separately on the Balance Sheet. This impacts on the prior year comparator. Management have amended the accounts for this adjustments. The second relates to an error in the asset ceiling interest being incorrectly charged to Other Comprehensive Income instead of being appropriately split between Financing and Investment Expenditure. The third relates to the estimated impact of 38 members of staff at a school which converted to an academy in the year. This change had not been reflected within the Actuary's IAS19 report. We have identified the following Group Accounts misstatements: The first relates to the offsetting of the Council's pension liability and the subsidiary pension asset. The second relates to the estimated impact of the pension asset ceiling adjustment for the subsidiary. We have completed our procedures as planned. There are no other matters to report in respect of our work on net defined benefit pension liability valuation.

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements for the Authority

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	**Cr (£ '000)**	**Dr (£ '000)**	**Cr (£ '000)**
Dr: Revaluation Reserve Cr: Capital Adjustment Account & CIES The Council posted an indexation adjustment for asset not revalued in the year. In doing so, the total increase was posted to the revaluation reserve. The adjustment above reflects the estimated revaluation that should have been posted to the CIES.		3,748	3,748	
Dr: Financing and Investment Income and Expenditure Cr: Remeasurement of Net Defined Liability Our testing of the pensions asset ceiling has identified that the interest on the asset ceiling from 2022/23 has not been appropriately charged to financing income, instead being charged to Other Comprehensive Income.	2,007	2,007		
Dr: Cash and Cash Equivalents Cr: Short Term Investments Our testing of short-term investments has identified an error in relation to the classification of one item which should have been recorded as a cash and cash equivalent.			750	750
Dr: Revenue Grants receipt in advance Cr Creditors This is a misclassification error noted in RIA testing. The council owes this to Department for Business, Energy & Industrial Strategy hence should've been classified as a creditor instead of RIA.			5,110	5,110

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements for the Authority

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Cash and cash equivalents Cr: Bank overdraft (Current liability) Classification error as the bank overdraft can not be offset against the positive cash balances for the school and should be classified as an liability.			3,252	3,252
Dr: Pension reserve Cr: Net Pension Asset Being the estimated impact of the 38 members of staff transferred from St Ethelbert's transferred to St Teresa of Calcutta CA but not reflected on IAS 19 report.			1,896	1,896
Dr: Property, Plant and Equipment Cr: Revaluation Reserve Extrapolated error based on the work performed on property, plant and equipment revaluations			4,028	4,028
Dr: General Fund – Usable Reserves Cr: Capital Adjustment Account – Unusable Reserves Actual misstatement noted in relation to a charge to the General Fund as a result of Revenue Expenditure Funding Capital Under Statute.			5,533	5,533
Total unadjusted misstatements	**2,007**	**5,755**	**24,317**	**20,569**
Net unadjusted misstatements		**3,748**	**3,748**	

Appendix A: Further information on our audit of the financial statements

Significant deficiencies in internal control

Description of deficiency

During our review of the Council's assessment of the assets not revalued we have identified some assets which have not been revalued for more than 4 years therefore, not in line with the accounting policy for the Council.

Potential effects

There may be a significant movement in the valuation of assets which may not be reflected within the Council's balance sheet.

Recommendation

Council should value all assets in line with their accounting policy and ensure that any assets which have not been valued for more than 4 years are valued.

Management response

A programme to return the council's property functions from an external contractor to an in house team is currently underway with a completion date of May 2025. This programme includes the recruitment of appropriately qualified & experienced employees, implementation of new ICT systems and a review of the assets and assets information held by the council. Improved information will aid us in meeting the requirements of the accounting policies.

Description of deficiency

It was established that there is an annual review of performance of user access rights, we would expect a review to be carried out more regularly throughout the course of the year.

Potential effects

Without regular reviews, users may retain access to systems and data that are no longer relevant to their roles. This can lead to fraudulent activities, such as creating fake vendor accounts and unauthorized financial transactions.

Recommendation

The Council should undertake periodic review of user access to Oracle other than waiting till year-end to reduce operational inefficiencies, increased costs and prevent users from retaining access to systems and data that are no longer relevant to their roles.

Management response

Management recognise that this is a big task that is completed annually, and over coming year the frequency will be reviewed to see if this can be done more often. This is being completed in line with the business improvement review.

Appendix A: Further information on our audit of the financial statements

Significant deficiencies in internal control

Description of deficiency

The Council lacks a formal Oracle Change Management Policy to guide upgrades, version updates, and system changes. As a result, the Support Team handles all changes based on principles rather than a defined policy.

Potential effects

The absence of a Change Management Policy means there is no business continuity plan in place for system failures during the change process. Without a clear, pre-approved standard policy, major changes might fail due to poor coordination, and unauthorised changes could be made to the system

Recommendation

The Council should have a clear and robust change management policy to ensure a smoother, more successful operation of Oracle accounting system especially when there is need for a major change and upgrades.

Management response

Management accept that there is a process in place that is followed although no policy is written at this moment in time. This is being considered as part of the wider ICT business improvement review to formalise documentation.

Description of deficiency

The Council failed to inform their Actuary about the academy transfer that occurred in the 2023/24 period. Consequently, we have identified that thirty eight staff members from St Ethelbert's transferred to St Teresa of Calcutta CAT. This transfer has not been reflected in the IAS 19 scheme report from Hymans, leaving the actual impact on the Council's pension scheme unknown.

Potential effects

The pension liabilities associated with the transferred staff may not be accurately reflected in the Council's pension scheme. This can lead to an underestimation of the scheme's total liabilities.

Recommendation

The Council should communicate any changes with their Actuary to identify the potential impact on the net pension liability/asset.

Management response

Instructions received in the communication / guidance setting out the requirements for requesting the actuarial report specifically stated that it was not necessary to advise the actuary of bulk transfers; this information would be automatically provided by the pension fund.

For 2024/25 procedures have been amended to notify the actuary of bulk transfers in addition to any pension fund communications with the actuary.

Appendix A: Further information on our audit of the financial statements

Significant deficiencies in internal control

Description of deficiency

The Council does not require journals to be authorised before being posted into the general ledger.

Potential effects

Journals could be incorrect and there may be an increased risk to management override of controls.

Recommendation

Bolton MBC should consider having journals authorised by another individual to ensure they are accurate, and segregation of duties exist.

Management response

Bolton Council have previously considered authorisation of journal entries by line managers but concluded that this would be an excessively bureaucratic process leading to additional pressures on staffing resources. It was also concluded that the implementation of journal authorisation would not necessarily address the risks of management override of controls as management could instruct junior employees to enter a journal that management themselves authorise.

System access to enter journals is limited to specific finance staff and system audit trails permit the identification of users entering each journal. Regular financial reporting to service managers includes the review of ledger balances & forecasts giving ample opportunity for balances / entries to be challenged both by financial and non-financial staff.

Further consolidation of financial data used to report to departmental leadership teams includes analysis of variances from budget, between reporting periods and in reference to the previous financial year, aiding in identifying and challenging anomalous entries. This information is subject to review and challenge both by financial and non-financial staff.

Appendix A: Further information on our audit of the financial statements

Follow up on previous year internal control points

Description of deficiency:

As part of our leases testing, we identified the rent for two of the sample tested had not been updated to reflect the rent review undertaken in the year.

Potential effects:

There is a risk of errors arising in respect of the accounting for operating leases including the disclosures in respect of future minimum lease payments.

Recommendation:

Lease schedules should be updated throughout the year and reviewed for any changes to lease terms.

Management response:

A new process has been established from May 2025 involving the Corporate Property Service function returning to an in-house service from Robertsons. This involves the introduction of new IT systems which will provide greater information on leasing agreements.

Description of deficiency:

During our testing of investment property valuations we noted that a number of investment properties had not been formally revalued during the year.

Potential effects:

Under the CIPFA Code of Audit Practice, investment properties should be held at fair value. If investment properties are not revalued in the year, there is a risk they will be incorrectly valued in the financial statements.

Recommendation:

The Council should ensure investment properties are revalued on an annual basis to confirm they are being held at their fair value.

Management response:

We ensure that we revalue 80% of our investment properties by value annually, to revalue the whole of the portfolio would be prohibitively expensive and take considerable time for the valuers. We will look to undertake a simar exercise with the use of indices as we currently do for any PPE assets not valued in the year.

Appendix A: Further information on our audit of the financial statements

Follow up on previous year internal control points

Description of deficiency

As part of our audit testing, we identified a number of balance sheet “legacy” nominal codes dating back to the previous accounting system. These codes do not reflect genuine year end creditors or debtors of the Council.

Potential effects

If old codes are not routinely cleared down then the balance sheet may be incorrectly inflated.

Recommendation

The Council should ensure that they regularly review nominal codes to identify any old legacy balances and clear these accounts when necessary.

Management response:

These have been addressed in 2023/24 where appropriate.

Contact

Forvis Mazars

Daniel Watson
Audit Partner
Tel: +44 (0)7909 985 324
daniel.watson@mazars.co.uk