



# Manchester City Council

## Annual Audit Letter 2011/12

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**18 October 2012**

Annual Audit Letter 2011/12

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# Introduction

## Purpose of this letter

This Annual Audit Letter ('Letter') summarises the key issues arising from the work that we have carried out at Manchester City Council ('the Council') during our 2011/12 audit.

The Letter is designed to provide a brief overview of our key messages to the Council and external stakeholders, including members of the public.

The letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) and also on the Council's website.

## What this Letter covers

This Letter covers our 2011/12 audit, including key messages and conclusions from our work in:

- auditing the 2011/12 year end accounts
- assessing the Council's arrangements for securing economy, efficiency and effectiveness to ensure Value for Money is achieved
- certification of grant claims and returns to various government departments and other agencies.

## Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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# Key messages

## Accounts audit

We were presented with draft accounts and accompanying working papers on 29 June 2012. Although there is no requirement for member approval under the Accounts and Audit Regulations, these were presented to and key issues discussed at the Audit Committee on 12 July 2012, in line with best practice.

The accounts and working papers were of a high quality and co-operation in dealing with audit issues was strong, enabling an efficient audit process culminating in the timely completion of the audit and presentation of the report to those Charged with Governance on 29 September 2012.

The quality of the draft accounts was reflected in the relatively small number of adjustments required, with the main adjustments being updates to estimates or arising from information received after the draft accounts had been produced.

We issued an unqualified audit opinion on 30 September 2012, in accordance with the statutory deadline.

We identified a small number of areas where improvements could be made to the processes in place to prepare the accounts. The actions agreed with the Council to minimise the chance of errors occurring in the 2012/13 accounts were included in our report and we will follow up on progress as part of our 2012/13 audit.

In giving our opinion on the accounts, we reviewed the quality of the Council's internal control system and found that key financial systems were operating effectively and there were no material weaknesses within the general IT control environment.

## Our main audit conclusions for the year

**The 2011/12 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.**

**The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.**

The Council updated its format and content of its Annual Governance Statement (AGS) for 2011-12 and we concluded that the AGS and Explanatory Foreword were consistent with our knowledge of the Council and met the requirements of CIPFA/SOLACE and showed an overall improvement in the compilation and content of the AGS.

The Council submitted its draft Whole of Government Accounts pack for audit by the deadline of 30 July 2012 and we met the audit deadline of 5 October 2012. There were no significant issues with the quality of the information contained in the pack and only a few amendments identified.

We received questions from local government electors on the accounts and considered the points raised, as required under the Audit Commission Act 1998, and included our initial views in our report to those charged with governance. Subsequently we have received one objection to the accounts which we are continuing to review, although we did conclude that the issue raised did not have a bearing on our opinion on the accounts. Until conclusion of this objection, we therefore have not been able to certify the audit as complete to date.

In 2012/13 we will discuss future accounting challenges with the Council, including planning for changes to financial reporting requirements, for example, around accounting treatment of schools and leased assets.

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# Key messages (continued)

## Value for Money audit

We issued an unqualified Value for Money ('VFM') conclusion on 30 September 2012 confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

As part of this work we reviewed the Council's arrangements for securing financial resilience over the medium term and focussed on the Council's:

- key indicators of financial performance
- approach to strategic financial planning
- its approach to financial governance
- its approach to financial control.

Our review further updated our understanding of the Council's arrangements for IT and estate management.

Our overall conclusion was that whilst the Council faces significant financial challenges in 2012/13 and beyond, its current arrangements for achieving financial resilience are robust.

We will continue to review arrangements for securing VFM, focusing on key risk areas, as part of our 2012/13 audit. These include:

- on going financial resilience following revenue allocation to be announced in December 2012
- continuing strengthening of ICT governance arrangements
- implementation of requirements arising from the Localism Act.

## Certification of claims and returns

Each year we review and certify a number of grant claims and returns in accordance with the arrangements put in place by the Audit Commission. Following the completion of the 2010-11 certification work we reported early in 2012 that the Council had performed well, with minimal amendments required and only one minor qualification relating to Housing and Council Tax Benefits, in accordance with the certification arrangements.

We are currently in the process of certifying the 2011-12 grant claims and returns. Once this work is complete we will report in full on the findings of our work in a separate report to the Audit Committee. Following Local Government reforms, there is a significant reduction in the number of claims requiring certification, with only 8 claims in 2011-12 compared to 23 in 2010-11. To date we have not identified any significant issues.

## Outputs and fees

Our audit outputs and fees are shown at Appendices A and B.

## Acknowledgements

This Letter has been agreed with Council management and will be presented to Audit Committee on 1 November 2012.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council.

**Grant Thornton UK LLP**

**18 October 2012**

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# Appendix A 2011/12 reports issued

Report	Date Issued
Audit Plan	December 2011
Interim Audit Report	May 2012
Annual Report to Those Charged With Governance (ISA 260)	September 2012
Review of the Council's Arrangements for Securing Financial Resilience	September 2012
Annual Audit Letter	October 2012
Grants Certification Report 2011/12	December 2012 (planned)

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# Appendix B Audit and other fees 2011/12

Audit area	Budget 2011-12	Actual 2011-12
Core Code of Practice fee*	£457,920	£427,920
Certification of grant claims and returns**	£65,000	To be confirmed on completion of work and reported in Grants Certification Report 2011/12
Questions and objections from the public***	N/A	To be confirmed on completion of work
Non Code of Practice Fee	£0	£0

\* The actual fee for 2011-12 includes a £30,000 rebate received by the Council from the Audit Commission

\*\* The quoted fee for grant certification work is an estimate only and is charged at published hourly rates. The fee estimate included in the Fee Letter 2011-12 was £100,000. However, following Local Government reforms and the reduction in the number of claims we have revised the budget as above.

\*\*\* Work on dealing with questions and objections from the public is not budgeted for and is charged at hourly rates based on Audit Commission guidance



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