

Richard Paver  
City Treasurer  
Manchester City Council  
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Albert Square  
M2 5RT  
22 April 2009

Dear Richard

Annual Audit Fee 2009-10

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We are writing to set out our proposed work programme for 2009-10, and the associated fee. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009-10; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. James Foster, Comprehensive Area Assessment Lead (CAAL), has written to the Council separately on inspection fees.

The Audit Commission published its work programme and scales of fees for 2009-10 in December 2008. From 2009-10, the Audit Commission has clarified that the starting point for any fee proposal is the scale fee, which is calculated using a prescribed formula. Any variation from scale fee must be approved by the Audit Commission, following agreement of the proposed fee with the audited body.

We are proposing a 2009-10 fee of £480,000, which equates to the Audit Commission's scale fee, and represents a £10,000 reduction on last year's fee.

A summary of the proposed fee is shown in the table below:

<b>Audit area</b>	<b>Planned fee 2009-10</b>	<b>Actual fee 2008-09</b>
Financial statements, including WGA and IFRS support	£275,000	£281,000
Use of resources/VFM conclusion, including data quality	£205,000	£209,000
<b>Total audit fee</b>	<b>£480,000</b>	<b>£490,000</b>

## Financial Statements

In setting the fee we have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that in 2008-09, and that working papers and other information will be provided in accordance with an agreed timetable. A separate plan for the audit of the financial statements will be issued in early 2010 setting out the risks identified, planned audit procedures and any changes in fee.

## Use of Resources

Our use of resources assessment will be based upon the evidence from three themes:

- Managing finances
- Governing the business
- Managing resources

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009-10. Our work on use of resources will inform our 2009-10 value for money conclusion. We have identified a number of risks in relation to the value for money conclusion and set out our initial risk assessment in the table below:

Risk Area	Planned work	Timing of work
<p><b>2009-10 Use of Resources - Key Lines of Enquiry</b></p> <p>Under the Comprehensive Area Assessment, the use of resources regime has become more challenging. There is a risk that the Council may not be sufficiently prepared for the change in focus.</p> <p>As part of our joint planning with the CAAL, we have identified a number of areas for specific focus, including:</p> <ul style="list-style-type: none"> <li>• the impact of the economic downturn on the Council's financial plans and the Council's response;</li> <li>• value for money and outcome monitoring in relation to mental health service provision; and</li> <li>• how the Council is working with its partners, and</li> </ul>	<p>We will perform our review against the KLoE themes, providing regular feedback as our audit progresses</p>	<p>April - September 2009</p>

<p>reconciling potentially</p> <ul style="list-style-type: none"> <li>• conflicting priorities, to deliver sustainable use of resources.</li> </ul>		
<p><b>Partnership working</b></p> <p>The Council is currently developing partnership working arrangements with the PCT and other key partners, covering a range of services including Children's and Social Care services, procurement and estates.</p>	<p>We will review the Council's arrangements for working with key strategic partners. We will consider progress as part of a joint review of partnership arrangements with Manchester PCT.</p>	<p>January 2010 - May 2010</p>
<p><b>Project Management</b></p> <p>The Council has a number of significant projects underway, including the Town Hall refurbishment and waste PFI scheme.</p>	<p>We will review the adequacy of the Council's project management arrangements and use a sample of projects to test the effectiveness of the Council's risk management and performance management arrangements.</p>	<p>September 2009 - December 2009</p>
<p><b>IT and Business Continuity</b></p> <p>The Council has suffered from two recent significant IT security related events, with consequent disruption to Council business.</p>	<p>We will review the adequacy of the Council's IT security and business disaster recovery arrangements including 'lessons learnt' from recent events.</p>	<p>January 2010 - March 2010</p>
<p><b>Follow up of prior year recommendations</b></p>	<p>We will carry out a small follow-up of the health inequalities/community safety cross cutting audit, and review adequacy of the Council's general arrangements for follow up of audit and inspection recommendations.</p>	<p>Tbc</p>

## Grants

We will audit the Council's 2009-10 grants in the period July to December 2010. The actual fee will be based on the number and quality of claims presented for audit, and charged at rates set out in the Audit Commission's 2009-10 fees letter. We estimate the fees will be in the region of £135,000 and will provide a revised estimate following completion of the 2008-09 grants audit.

As we have not yet completed our audit for 2008-09, the audit planning process for 2009-10, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee. Our fees exclude any additional work requested by you that we may agree to undertake.

The audit fee will be billed in monthly instalments from April 2009.

We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 1.

The key members of the audit team remain unchanged, as follows:

Audit Partner - Sarah Howard	0113 2002530 / sarah.howard@gtuk.com
Audit Manager - Gavin Blackstone	0113 2002505 / gavin.blackstone@gtuk.com
Senior Technical Manager - Paul Spinks	0113 200 2554 / paul.spinks@gtuk.com
Assistant Manager - John McLoughlin	0113 2002534 / john.mcloughlin@gtuk.com

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact our Head of Government Audit, Richard Tremeer, on richard.tremeer@gtuk.com.

Yours sincerely



Sarah Howard  
for Grant Thornton UK LLP

cc

Sir Howard Bernstein, Chief Executive

James Foster, Comprehensive Area Assessment Lead

## 1 - Planned Outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

<b>Planned output</b>	<b>Indicative date</b>
Use of Resources report	September 2009
Project management	December 2009
Accounts Audit Plan	December 2009
Partnership working	May 2010
Interim Report to those Charged with Governance	June 2010
Annual Report to those Charged with Governance	September 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2010
Grant claims report	December 2010