Grant Thornton

The Audit Findings for Manchester City Council

Year ended 31 March 2013

25 September 2013

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Manchester City Council's ('the Council') financial statements and Manchester City Council Group's financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and the Audit Committee in accordance with the requirements of International Standard on Auditing (ISA) 260.

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated June 2013.

Our audit is substantially complete although we are finalising our work in the following areas:

- receipt and review of additional assurances requested in relation to the transfer of £15m from HRA to General Fund reserves. We refer to this matter on page 16 of our report
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- review of the Whole of Government Accounts submission.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Single entity financial statements

The key messages arising from our audit of the Council's financial statements are:

- we anticipate providing an unqualified opinion on the single entity financial statements
- a small number of presentational audit adjustments were made to the financial statements following our audit, with no overall net effect on the Council's reported financial position or financial performance
- we received good quality working papers from the finance team and other staff as well as timely responses to our audit queries.

Further details are set out in section 2 of this report.

Group financial statements opinion

The key messages arising from our audit of the Council's group financial statements are:

- we anticipate providing a qualified opinion on the group financial statements due to non-alignment of accounting policies of subsidiaries to those of the Council in relation to the measurement of land and buildings
- we agreed adjustments in connection with the accounting for loss of control of the subsidiary, Manchester Airport Group. This is a technical and complex area of accounting and these adjustments impact on the Group Comprehensive Income and Expenditure Statement, Group Balance Sheet ,Group Movement in Reserves Statement and Group Cash Flow Statement, as well as the related disclosure notes. None of these adjustments affects the Group's financial position or financial performance

- we agreed an adjustment to remove negative goodwill from the Group Balance Sheet and this adjustment increases the Group income and expenditure reserve
- a small number of presentational audit adjustments were processed to the financial statements, with no overall net effect on the group's reported financial position or financial performance.

Further details are set out in section 2 of this report.

Value for Money (VfM) conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further details of our work on Value for Money is set out in section 3 of this report.

We have also prepared a separate report on financial resilience.

Whole of Government Accounts (WGA)

There have been some delays in the preparation of the WGA return due to technical issues experienced at the Department for Communities and Local Government and Treasury. We received a WGA return for audit on 24 September, although this does not include all of the adjustments detailed in this report as some of these adjustments were agreed on 24 September. However, we do not currently envisage that this will impact on the timetable for our audit of the return.

Controls

The Council's officers are responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

We have identified one minor control weakness and further details have been provided on page 24.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the City Treasurer.

We have made two recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the City Treasurer and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other officers during our audit.

Grant Thornton UK LLP
25 September 2013

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 6 June 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 6 June 2013.

Audit opinion

Single entity financial statements

We anticipate that we will provide the Council with an unmodified opinion on the single entity financial statements. Our proposed audit opinion is set out in Appendix B.

Group financial statements

We anticipate that we will provide the Council with a modified opinion on the group financial statements, on the basis of material accounting policies of subsidiaries not being fully aligned with those of the Council in relation to the measurement of land and building assets. Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition.	• Identification of the significant revenue streams at the Council and consideration of the applicability of revenue fraud risk to each cycle • review and testing of revenue recognition policies • performance attribute testing on material revenue streams • review of unusual significant transactions.	Our audit work has confirmed that the Council has applied appropriate revenue recognition policies. Substantive audit testing has not identified any instances of improper recognition of revenue.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management override of controls.	• Review of accounting estimates, judgements and decisions made by management • testing of journals entries • tests of detail on unusual significant transactions.	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

Audit findings against significant risks (continued)

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	**Accounting implications arising from Council's decision to enter into the Manchester Airport Holdings Limited (MAHL) joint venture.** The Council's decision to enter into a joint venture with Industry Funds Management (IFM) to enable the acquisition of Stansted Airport changes the accounting treatment for its investment. Previously the Council's group financial statements consolidated the Council's investment in Manchester Airport Group as a subsidiary; the appropriate accounting treatment for a joint venture is significantly different and additional disclosures will be required in the 2012/13 financial statements in recognition of this change in status.	• review of the MAHL Shareholder Agreement and Articles of Association • review of the Council's accounting proposals and associated accounting entries • consideration of the issue of the alignment of group accounting policies in relation to the measurement of land and building assets	From our audit work we are satisfied that the categorisation of MAHL as a joint venture is appropriate and consistent with the requirements of accounting standards. We agreed • adjustments in connection with the accounting for loss of control of the subsidiary, which impact on the Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Movement in Reserves Statement and Group Cash Flow Statement • a small number of presentational audit adjustments, relating to the transition from MAG as a subsidiary to MAHL as a joint venture, were also processed to the financial statements. None of these adjustments have an overall net effect on the group's reported financial position or financial performance. Further details are set out on pages 18 and 21 of this section of our report. We have concluded that a modified (qualified) opinion on the group financial statements will be issued on the basis that accounting policies in respect of valuation of land and buildings are not fully aligned across group components.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Operating expenses understated or not recorded in correct period.	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • performed attribute testing of expenditure to ensure valid spend and appropriate categorisation within net cost of services headings in the comprehensive income and expenditure statement.	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period.	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • sample tested payables and accrued expenditure, including reviewing post year end invoices and payments.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Remuneration expenses not correct	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • agreed the proposed accounting treatment for the VER / VS scheme underway at the Council • performed attribute testing on a sample of employees to confirm that that they are employed by the Council and that pay costs and associated deductions have been accurately calculated	Our audit work has not identified any significant issues in relation to the risk identified. We have, however, raised a recommendation in relation to our review of payroll, specifically that the Council should revisit its arrangements for the safe custody of employment contracts. Further details are set out on page 24 of this section of our report.
Welfare expenditure	Welfare benefits improperly computed	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • completed detailed testing of housing and council tax benefit expenditure	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Housing rent	Revenue transactions not recorded.	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • performed attribute testing a sample of rent payments to ensure amounts have been accurately calculated	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment (PPE)	PPE activity not valid.	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • sample tested PPE additions • reviewed the appropriateness and consistency of application of capitalisation policies • tested existence and ownership of assets to title deeds.	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Government grants and contributions are not credited to the Comprehensive Income and Expenditure Statement unless there is reasonable assurance that the conditions relating to the grant or contribution will be complied with and the grant or contribution will be received • Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council • Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Supplies are recorded as expenditure when they are consumed.	• The Council's revenue recognition policies are appropriate to its circumstances • Disclosure in the Council's financial statements is consistent with the requirements of the Code	Green

Assessment

- Accounting policy which could potentially attract attention from regulators (red)
- Accounting policy appropriate but scope for improved disclosure (amber)
- Accounting policy appropriate and disclosures sufficient (green)

Accounting policies, estimates & judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	• Key estimates and judgements include: – PFI arrangements – useful life of capital equipment – revaluations and impairments – pension fund valuations	• The Council has appropriately disclosed its accounting policies relating to PFI arrangements, property, plant and equipment, investment properties, heritage assets and pension schemes • The Council has appropriately relied on the work of experts in forming key estimates and judgements.	● Green
Other accounting policies	• We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	• Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	● Green

Assessment

- ● Accounting policy which could potentially attract attention from regulators (red)
- ● Accounting policy appropriate but scope for improved disclosure (amber)
- ● Accounting policy appropriate and disclosures sufficient (green)

Finalising our audit procedures

The Local Government and Housing Act 1989 (the Act) requires local authorities to maintain a statutory, ring-fenced Housing Revenue Account. The ring-fence continues to be required following the move to self-financing in England and is controlled by Schedule 4 of the Act. Its purpose is to ensure that council taxpayers do not subsidise services specifically for the benefit of tenants and that rent is not used to subsidise functions which are for the benefit of the wider local community.

Until it is amended on 1 October 2013, Schedule 4, Part III, paragraph 2 of the Act appears, in certain circumstances, to permit local authorities to transfer balances from the HRA to the General Fund. The Council is of the view that these circumstances apply and, at the time of writing our report, the Council is proposing to make a transfer of £15m from HRA reserves to the General Fund reserve. This is being treated as an urgent key decision of the Leader of the Council. We understand that the Chair of the Finance Scrutiny Committee has exempted the decision from call-in.

However, in our view, the legal position is not clear cut as transfers could be seen to be contrary to the intention of the Act in that transfers could be an unintended consequence of HRA self-financing for those councils to whom HRA subsidy was being paid. Our view is supported by the fact that Schedule 4 Part III paragraph 2 of the Act will be amended with effect from 1 October 2013 so that it will only apply to Wales. From 1 October 2013, transfers between the HRA and General Fund in England will only be permitted following a relevant determination by the Secretary of State.

As a result of this uncertainty we expect local authorities to fully consider the legal, reputational and financial risks before taking any action including

- obtaining legal advice on the powers to make the transfer and that it is exercising its discretion reasonably
- considering governance issues and risks, and ensuring due process is followed
- assessing the impact on the financial resilience of the HRA
- considering the impact on the 2012/13 financial statements.

We have discussed these matters with the City Treasurer and are seeking assurances from the Council's Monitoring Officer in relation to

- the Council's legal power to make the transfer, and its reasonable exercise of that power
- the process of consultation that has taken place prior to the decision, and the process for approval of the decision
- the Council's consideration of the reputational risks and potential challenges it could face.

Subject to receipt of these assurances, we expect to conclude that we are not minded to challenge the Council's decision.

Misstatements, misclassifications and disclosure changes

This section of our report provides details of misstatements, misclassifications and disclosure changes.

Misstatements – a misstatement is a difference between the amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the CIPFA Code of Practice on Local Authority Accounting (the Code) or applicable accounting standards. The adjusted misstatements page of our report identifies those misstatements that have an impact on the financial position or financial performance reported in the draft financial statements and that have been adjusted by management.

Misclassifications – misclassifications are a subset of misstatements and are those reported financial statement items assigned to incorrect categories or classifications. Typically, misclassifications do not have an impact on reported financial position or financial performance however correct classification is important to achieve compliance with the Code and aid readers' understanding of the financial statements.

Disclosure – incorrect or omitted disclosures are a further subset of financial reporting misstatements. Incorrect or omitted disclosures do not impact on an organisation's reported financial position or financial performance but correct and complete disclosure is important to achieve compliance with the Code and aid readers' understanding of the financial statements.

Adjusted misstatements – Manchester City Council

We are pleased to report that there were no adjusted misstatements to the Council's draft financial statements identified during the audit process that require reporting to the Audit Committee, and the financial position and financial performance reported in the draft financial statements remains unchanged. We provide details of misclassifications and disclosure changes agreed with officers on pages 19 and 20.

Adjusted misstatements – Manchester City Council Group

We agreed two adjustments with officers that affect the financial position and financial performance reported in the draft financial statements of the Manchester City Council Group.

The draft Group Comprehensive Income and Expenditure Statement (Group CIES) included an amount of £52.1m described as the gain on loss of control of Manchester Airport Plc. This entry represented the net of two amounts, the Council's gain on loss of control of Manchester Airport Plc as a subsidiary, £388.4m, and an amount of £336.3m representing the removal of minority interests from the Group Balance Sheet. The accounting for loss of control of a subsidiary is both unusual and complex. We have agreed with the Council that the appropriate accounting treatment is for the Group CIES to include the Council's gain on loss of control of £388.4m and that minority interests should be written out of the financial statements via the Group Movement In Reserves Statement (Group MIRS). Consequently, this adjustment affects the Group CIES and the Group MIRS. The Group Cash Flow Statement is also affected, as this statement takes as its starting point the group surplus on provision of services. We have agreed with the Council a related amendment to Note 6 to the Group financial statements, the calculation of the gain on loss of control of Manchester Airport Plc. We have also agreed a related adjustment to Note 25 to the Group financial statements to classify the gain on loss of control within the Group Income and Expenditure Reserve, rather than within usable reserves. None of these adjustments affect the total reserves position of the Group as presented in the draft financial statements.

The draft Group Balance Sheet included £14.5m of negative goodwill relating to Destination Manchester Limited, a subsidiary of the Council. Negative goodwill is not permitted to be recognised on the balance sheet under international financial reporting standards. Officers have amended the balance sheet to remove this negative goodwill, with a consequent £14.5m increase in the Group income and reserve. The opening Group Balance Sheet position has also been amended to remove negative goodwill, with a consequent £15.1m increase in the opening position on the Group income and expenditure reserve.

We provide details of misclassifications and disclosure changes affecting the Group financial statements on pages 21 and 22.

Misclassifications & disclosure changes – Manchester City Council

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the Council's amended financial statements.

	Adjustment type	Value £m	Account balance	Description of adjustment and impact on the financial statements
1	Disclosure	(84.7)	Note 10 – Agency Activities	Payroll bureau expenditure disclosed in note 10 has been reduced by £84.7m, due to the incorrect inclusion of salaries actually paid rather than management fees charged for the provision of this service. This adjustment has no effect on the primary financial statements.
2a)	Disclosure	27.1	Note 41 – Financial Instruments	Financial assets disclosed in note 41 has been increased by £27.1m from £199.7m to £226.8m due to the net impact of the incorrect exclusion of council tax debtors and cash balances and the incorrect inclusion of prepayments. This adjustment has no effect on the primary financial statements.
2b)	Disclosure	26.3	Note 41 – Financial Instruments	The fair value of market debt disclosed in note 41 has been increased by £26.4m from £516.5m to £542.8m due to the incorrect exclusion of an interest accrual adjustment and temporary borrowings. This adjustment has no effect on the primary financial statements.
2c)	Disclosure	(9.3)	Note 41 – Financial Instruments	Financial liabilities disclosed in note 41 has been reduced by £9.3m due to the incorrect inclusion of receipts in advance. This adjustment has no effect on the primary financial statements.

Misclassifications & disclosure changes – Manchester City Council (continued)

	Adjustment type	Value £m	Account balance	Description of adjustment and impact on the financial statements
3	Disclosure	(83.7)	Note 45 – Local Government Pension Schemes	The narrative within note 45 has been amended to include the actual return on scheme assets in the year of £273.1m instead of £356.8m, thus agreeing with the actuary's valuation report. This adjustment has no effect on the primary financial statements.
4	Disclosure	N/A	Note 48 – Related Party Transactions	The narrative within note 48 has been amended to reflect Sir Richard Leese's appointment as a director of Manchester Airports Holdings Ltd in March 2013, which had been previously omitted. This adjustment has no effect on the primary financial statements.
5	Disclosure	N/A	Notes 51 and 52 – Cash Flow Statement	Notes to the financial statements have been added to provide analyses of material adjustments to the net (surplus)/deficit on the provision of services in the cash flow statement. This adjustment has no effect on the primary financial statements.

Misclassifications & disclosure changes – Manchester City Council Group

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of group financial statements.

	Adjustment type	Value £m	Account balance	Description of adjustment and impact on the financial statements
1a	Misclassification	(20)	Actuarial losses on pension assets and liabilities (Comprehensive Income and Expenditure Statement (CIES))	Dividend expenditure incurred by the Manchester Airport Group (MAG) subsidiary was misclassified within the CIES. This adjustment removes expenditure from the actuarial losses line of the CIES and, together with adjustments 1b and 1c below, has no net effect on the CIES or other primary financial statements.
1b	Misclassification	11	Highways and transport services (CIES)	Gross revenue expenditure on the Highways and transport services line of the CIES included an erroneous consolidation adjustment relating to the Council's share of the dividend paid by MAG. This adjustment, together with adjustments 1a and 1c, has no net effect on the CIES or other primary financial statements.
1c	Misclassification	9	Minority interest (CIES)	Expenditure related to minority interests was understated by the amount of the dividend paid by the MAG subsidiary to the holders of minority interests. This adjustment, together with adjustments 1a and 1b, has no net effect on the CIES or other primary statements.
2	Disclosure		Group Movement In Reserves Statement (MIRS)	Disclosure within the Group MIRS has been improved by the inclusion of additional columns to analyse total group and minority interest reserves between reserves attributable to the group and those attributable to minority interests.

Misclassifications & disclosure changes – Manchester City Council Group

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of group financial statements.

	Adjustment type	Value £m	Account balance	Description of adjustment and impact on the financial statements
3a	Misclassification	8.2 / (8.2)	Group Cash Flow Statement	Equity dividends paid by the group of £8.2m had been misclassified within the draft Group Cash Flow Statement within investing activities rather than within financing activities.
3b	Misclassification	13.7 / (13.7)	Group Cash Flow Statement	Taxation paid by the group of £13.7m had been misclassified within the draft Group Cash Flow Statement within investing activities rather than within cash flows from operating activities.
3c	Misclassification	16.1 / (16.1)	Group Cash Flow Statement	An adjustment of £16.1m between cash flows from operating activities and financing activities has been made to remove a duplicated adjustment.

Unadjusted misstatements – Manchester City Council

There are no adjustments identified during the audit which have not been made within the final set of financial statements.

Unadjusted misstatements – Manchester City Council Group

We have identified the following matters relating to disclosures within the group financial statements . Adjustments have not been made within the final set of financial statements.

Group Cash flow statement

The Group Cash flow statement includes two lines for adjustments to the net surplus on the provision of services. A reconciliation of the surplus to the net cash flows from operating activities, using either the direct or indirect method, is required under IAS7. The Council should provide additional disclosure of the amounts comprising the adjustments to the net surplus on the provision of services.

Analysis of notes to the group financial statements

The notes to the Council's group financial statements disclose assets, liabilities, income and expenditure according to the subsidiary, associate or joint venture to which they relate. However, the notes to the group financial statements should provide disclosure according to the nature of the assets, liabilities, income and expenditure of group entities.

Disclosure omissions

There are a number of non-material disclosure omissions from the group financial statements. These include disclosure of the financial risks the group is exposed to, group related party disclosures, significant judgements and estimates and the tax expense or movement in the deferred tax asset for the year.

We will discuss the above matters with the Council's finance team as part of the preparations for the audit of the 2013/14 group financial statements.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matter reported here is limited to a minor deficiency that we have identified during the course of our audit and that we have concluded is of sufficient importance to merit being reported to you in accordance with auditing standards.

This and other recommendations, together with management responses, are included in the action plan attached at appendix A.

	Issue and risk	Recommendations	Assessment
1.	**Employee remuneration:** During our payroll related testing, we identified the following control issue to bring to the Audit Committee's attention: • Substantive testing of employee remuneration included sample testing 58 employees' remuneration for the year to confirm existence and accuracy of payroll expenditure. We noted that contracts of employment could not be located for 7 out of the 58 employees selected. However, we received an acceptable level of assurance over the related expenditure by other audit means.	We recommend that the Council revisits its arrangements for the safe custody of employment contracts.	● Amber

Assessment
● Significant deficiency – risk of significant misstatement (red)
● Deficiency – risk of inconsequential misstatement (amber)

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to the Audit Committee.

	Issue	Commentary
1.	Matters in relation to fraud	• We have not been made aware of any incidents in the period that resulted in a change to our planned audit procedures and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	• A standard letter of representation has been requested from the Council (Appendix C).
4.	Disclosures	• There have been a small number of material disclosure changes to the financial statements of the Council and of the group, the details of which have been provided in this section of our report.
5.	Matters in relation to related parties	• We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	• Our work has not identified any reason to challenge the Council's decision to prepare the financial statements of the Council and of the group on a going concern basis.

Section 3: Value for Money

Value for Money

Background

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance
- Financial planning
- Financial control

Overall our work highlighted that the Council is performing well despite operating in an increasingly challenging financial environment. The Council produced its 2013-15 Medium Term Financial Strategy within a shorter timeframe to allow additional public consultation, and was able to achieve this due to good financial planning. The Council delivered £51.8m of its Cost Improvement Scheme (CIP) savings targets in 2012-13, 85% of the original target of £61m, and the Council delivered an underspend on its 2012-13 budget. Plans for the remaining £9.2m are being progressed through the 2013-14 CIP.

Further details on our work reviewing the Council's financial resilience are contained in our "Review of the Council's Arrangements for Securing Financial Resilience" report.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. We note that the Council has set out its Strategic Response to the current public sector budgetary constraints, including its priorities for available resources. The Council has recently updated its Value for Money Policy Statement, setting out its approach to VfM, the means through which the Council monitors VfM and planned activities to improve VfM over the period 2013-15.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Fees, non-audit services and independence

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm that we have not provided any non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit*	274,752	274,752
Grant certification	31,150	TBA
Total audit fees	**305,902**	**TBA**

* The Audit Commission agreed 2012-13 audit fee rebates directly with local government bodies. For the Council this rebate amounted to £25,000. The fee quoted in the above table is the gross fee payable by the Council, before the Audit Commission rebate.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report 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).

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.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		N/A
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		N/A
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		N/A
Significant matters arising in connection with related parties		N/A
Significant matters in relation to going concern		N/A

Appendices

Appendix A: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	**Employee remuneration:** During our payroll related testing, we identified the following control issue to bring to the Audit Committee's attention: • Substantive testing of employee remuneration included sample testing 58 employees' remuneration for the year to confirm existence and accuracy of payroll expenditure. We noted that contracts of employment could not be located for 7 out of the 58 employees selected. We recommend that the Council revisits its arrangements for the safe custody of employment contracts.	Medium	The Council has already reviewed how contracts and files are managed and now hold all files centrally. New contracts are managed electronically. The Council will not be able to commit to review any historic files. We are confident that only valid employees are paid based on the range of records held and by managers checking the deployment schedules against local records. Internal Audit have also given substantial assurance around payroll in recent years based on the Council's ability to confirm validity of employees to records, including contracts but also other relevant records. For schools where we do not provide an HR service, we pay as advised by the school and the schools are responsible for checking that employees are valid.	Julie Price Head of Revenues, Benefits and Shared Services
2	**Group financial statements** The Council should revisit the disclosures and analysis provided within the notes to the group financial statements as part of its preparations for the 2013-14 closedown.	Medium	The Council will revisit the organisations included in the Group Financial Statements. We will then review the format of disclosures included and the need for any additional disclosures. Due to the timing of receipt and completeness of the financial statements belonging to organisations within the Group it is not always possible to include all disclosures before their full accounts are available.	Karen Gilfoy Corporate Finance Lead – Strategic Finance and Accountancy February 2014

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report for the Council Statement of Accounts and a modified audit report for the Group Statement of Accounts

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER CITY COUNCIL

Opinion on the Council Statement of Accounts

We have audited the Statement of Accounts of Manchester City Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The Statement of Accounts comprise the Council Movement in Reserves Statement, the Council Comprehensive Income and Expenditure Statement, the Council Balance Sheet, the Council Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. 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 2012/13.

This report is made solely to the members of Manchester City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the City Treasurer and auditor

As explained more fully in the Statement of Responsibilities for the Annual Statement of Accounts, the City Treasurer is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Statement of Accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Statement of Accounts

An audit involves obtaining evidence about the amounts and disclosures in the Statement of Accounts sufficient to give reasonable assurance that the Statement of Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the City Treasurer; and the overall presentation of the Statement of Accounts. In addition, we read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited Statement of Accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Council Statement of Accounts

In our opinion the Statement of Accounts:

- give a true and fair view of the financial position of Manchester City Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the Statement of Accounts are prepared is consistent with the Statement of Accounts.

Opinion on the Manchester City Council Group Accounts

We have audited the Manchester City Council Group Accounts for the year ended 31 March 2013 under the Audit Commission Act 1998. The Group Accounts comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and the related notes. 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 2012/13.

This report is made solely to the members of Manchester City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the City Treasurer and auditor

As explained more fully in the Statement of Responsibilities for the Annual Statement of Accounts, the City Treasurer is responsible for the preparation of the Group Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group Statement of Accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Group Statement of Accounts

An audit involves obtaining evidence about the amounts and disclosures in the Group Statement of Accounts sufficient to give reasonable assurance that the Group Statement of Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the City Treasurer; and the overall presentation of the Group Statement of Accounts. In addition, we read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited Group Statement of Accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on the Group Statement of Accounts

Included in the Group comprehensive income and expenditure account is an amount of £388.4m related to the gain on disposal of the group's controlling interest in Manchester Airport Group Limited ("MAG"). Following a restructuring transaction, this is now accounted for as the joint venture, Manchester Airport Holdings Limited ('MAHL'), with a carrying value of £791.2m for the year ended 31 March 2013. Further detail is given in the introduction of the group accounts and in Notes 6 and 11 to the Group Statement of Accounts.

The valuation of MAG and MAHL's land and buildings affects the determination of the gain on disposal of the controlling interest and the valuation of the investment in the joint venture respectively. The land and buildings in MAG and MAHL have been measured at cost in their statutory financial statements. The Council has chosen to measure MAG's land and buildings at cost (2011/12 £493.3m) in the Group Statement of Accounts. Under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (based on International Financial Reporting Standards), consolidation adjustments should have been made to align the accounting policies of subsidiaries with those of the Council to measure the land and buildings at fair value.

As a result of the Council choosing to measure MAG and MAHL's land and buildings at cost rather than fair value, we were unable to determine whether adjustments to the gain on disposal of the Group's controlling interest and the valuation of the investment in the joint venture might be necessary for the year ended 31 March 2013.

Qualified opinion on Group Statement of Accounts

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Group Statement of Accounts:

give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (based on International Financial Reporting Standards).

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the Group Statement of Accounts are prepared is consistent with the Group Statement of Accounts.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Council has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Manchester City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the Statement of Accounts of Manchester City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature]

Sarah Howard
Partner
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

XX September 2013

Appendix C: Management Letter of Representation

[To be placed on Council letter headed paper]

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB
XX September 2013

Dear Sirs

Manchester City Council
Financial Statements for the year ended 31 March 2013

This representation letter is provided in connection with the audit of the financial statements of Manchester City Council and the financial statements of Manchester City Council Group for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.
We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith, except for in respect of the non-alignment of accounting policies in relation to the valuation of land and buildings across the components of the Manchester Airport Group.

ii. We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.

iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

v. We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.

viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.

ix. We have not adjusted the misstatements brought to our attention in the Audit Findings report, which are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions, except for in respect of the non-alignment of accounting policies in relation to the valuation of land and buildings across the components of the Manchester Airport Group.

x. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xi. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xii. We have provided you with:
  a) access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  b) additional information that you have requested from us for the purpose of your audit; and
  c) unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xiii. We have communicated to you all deficiencies in internal control of which management is aware.

xiv. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xv. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xvi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  a) management;
  b) employees who have significant roles in internal control; or
  c) others where the fraud could have a material effect on the financial statements.

xvii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

xviii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xix. We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xx. We have received legal advice which confirms that the Council has the power to transfer balances from the Housing Revenue Account to the General Fund as disclosed in the Explanatory Foreword to the Annual Accounts, and consider that we are acting reasonably in exercising this discretionary power. We have followed the requirements of the Council's Constitution in making this decision.

Annual Governance Statement

xxi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 26 September 2013.

Signed on behalf of the Council

Name……………………………

Position…………………………..

Date…………………………….

Appendix D: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	No	Sufficient appropriate audit assurance obtained.
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	Sufficient appropriate audit assurance obtained.
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	Sufficient appropriate audit assurance obtained.
Cost of services – Housing revenue	HRA	Other	Housing revenue transactions not recorded	No	Sufficient appropriate audit assurance obtained.
Property, Plant & Equipment	Property, Plant & Equipment	Other	PPE activity not valid	No	Sufficient appropriate audit assurance obtained.
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	Sufficient appropriate audit assurance obtained.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services – other revenues (fees & charges)	Other revenues	None		No	Sufficient appropriate audit assurance obtained.
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	Sufficient appropriate audit assurance obtained.
Interest payable and similar charges	Borrowings	None		No	Sufficient appropriate audit assurance obtained.
Pension Interest cost	Employee remuneration	None		No	Sufficient appropriate audit assurance obtained.
Return on Pension assets	Employee remuneration	None		No	Sufficient appropriate audit assurance obtained.
Income from council tax	Council Tax	None		No	Sufficient appropriate audit assurance obtained.
NNDR Distribution	NNDR	None		No	Sufficient appropriate audit assurance obtained.
PFI revenue support grant and other Government grants	Grant Income	None		No	Sufficient appropriate audit assurance obtained.
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	Sufficient appropriate audit assurance obtained.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	Sufficient appropriate audit assurance obtained.
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	Sufficient appropriate audit assurance obtained.
Heritage assets & Investment property	Property, Plant & Equipment	None		No	Sufficient appropriate audit assurance obtained.
Debtors (long & short term)	Revenue	None		No	Sufficient appropriate audit assurance obtained.
Cash & cash equivalents	Bank & cash	None		No	Sufficient appropriate audit assurance obtained.
Borrowing (long & short term)	Debt	None		No	Sufficient appropriate audit assurance obtained.
Provisions (long & short term)	Provision	None		No	Sufficient appropriate audit assurance obtained.
Pension liability	Employee remuneration	None		No	Sufficient appropriate audit assurance obtained.
Reserves	Equity	None		No	Sufficient appropriate audit assurance obtained.