
**Manchester City Council
Report for Resolution**

Report to: Audit Committee – 22 September 2014
Subject: Annual Accounts 2013/14 and Letter of Representation
Report of: The City Treasurer

Summary

To inform members of the adjustments made to the annual accounts for 2013/14 and to seek their approval and acknowledgement of the letter of representation.

Recommendations

The Committee is asked to -

- note the amendments made to the annual accounts for 2013/14
 - agree that the accounts are not amended for the unadjusted misstatement identified as set out in paragraph 2.4 of this report
 - approve the annual accounts including the accounting policies contained within them
 - approve and acknowledge the letter of representation attached to this report which will be signed by the City Treasurer and the Chair of the Committee
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Wards Affected:

All

Contact Officers:

Name: Richard Paver
Position: City Treasurer

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Name: Karen Gilfoy
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Background documents (available for public inspection):

Working papers – consolidation of 2013/14 accounts files (room 102 Town Hall).
Report of Grant Thornton to Audit Committee 20 March 2014 - The Audit Plan for Manchester City Council.

Report to Audit Committee 17 July 2014 - Annual Accounts 2013/14.

Report of Grant Thornton to Audit Committee 22 September 2014 – Audit Findings for Manchester City Council

1.0 Introduction

- 1.1 Members will recall that the Annual Accounts were reported to Audit Committee on 17 July 2014 following their approval by the City Treasurer on 30 June 2014
- 1.2 This report summarises the amendments that have been made to the accounts during their audit by the Council's External Auditors, Grant Thornton. Further details can be found in the External Auditor's report on this agenda.
- 1.3 A small number of adjustments to the 2013/14 accounts have been identified. These amendments are mainly as a result of the inclusion of additional information or presentation changes. None of these adjustments have any impact on the finances of the Council or any company included in the Group Accounts.

2.0 Changes to the Main Accounting Statements

- 2.1 It is pleasing to note that the only changes that have been made to the main accounting statements (Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement), are presentational. These are:
 - In the Comprehensive Income and Expenditure Statement the Public Health line has been moved from Continuing Operations to Acquired Services.
 - In the Balance Sheet the Bank Overdraft and Cash and Cash Equivalents have been combined into one line.
 - In the Group Comprehensive Income and Expenditure Statement within Other Comprehensive Income and Expenditure the surplus on revaluation of non current assets relating to Manchester Airport Holdings Ltd has been shown on a new line – Share of Other Comprehensive Income and Expenditure of Joint Ventures rather than with the Council's single entity figure. This amendment also affects the Group Movement in Reserves Statement.
- 2.2 A number of amendments have been made to the accounts disclosures and are listed below –
 - The Foreword to the Accounts now includes reference to impairment of property, plant and equipment and investment properties.
 - The accounting policies for Government Grants and Contributions and Post Employment Benefits have been revised and now provide additional disclosure.
 - Critical Accounting Judgement 2.7 has been enhanced to include reference to schools that are to transfer to academies and an additional note 2.9 on the composition of the group accounts has been included.
 - The Key Sources of Estimation Uncertainty note 3.5 in relation to the effect of a 1% increase in the reduction of rateable values following a successful business rate appeal has been amended.

- Note 22 – Valuation of Property, Plant and Equipment – additional information has been provided on the asset lives of asset classes.
- Note 35 – Provisions – an analysis of provisions between short and long term has been added and additional narrative added in relation to the business rates appeals provision.
- Note 37 – Usable Reserves – a summary of the movements of reserves during the year has been added.
- Note 40 – Local Government Pension Scheme – various narrative amendments have been made.
- Group Note 2 – additional information has been added to show the reconciliation of the restated 2012/13 Group Movement in Reserves Statement and Cash Flow to the 2012/13 published accounts following the removal of non material organisations from the Group Accounts.

2.3 Various other presentation changes have been made to improve the understanding of the accounts.

2.4 There is an unadjusted misstatement identified by Grant Thornton relating to the Group Accounts. This relates to the restatement of the 2012/13 figures to reflect the removal of non material subsidiaries and associates from the Group Accounts. In accordance with International Accounting Standard (IAS) 8 as it is an immaterial item it should have been done as an in year adjustment rather than prior year. However this treatment has previously been discussed with Grant Thornton and the Council is also of the view that the current presentation is more understandable to a reader of the accounts and should not be changed.

3.0 Group Accounts

3.1 Members will recall that the Council's 2012/13 Group Accounts were qualified as a result of the non alignment of accounting policies in relation to the land and building assets of Manchester Airport Holdings Ltd (MAHL) and Destination Manchester Ltd (DML) with those of the Council.

3.2 The Council therefore commissioned valuations of assets at Manchester, Bournemouth, East Midlands and Stansted Airports plus Destination Manchester Limited at a cost of £99,350.

3.3 These valuations have been used in the completion of the 2013/14 Group Accounts and as a result it is anticipated that an unqualified opinion will be issued.

4.0 Next Steps

4.1 At the time of writing this report the audit of the 2013/14 accounts was substantially completed. After the amendments made and subject to the satisfactory conclusion of the outstanding work, an unqualified opinion on the single entity accounts and group accounts is expected to be issued by 30 September.

4.2 If any further amendments to the accounts are identified prior to the Committee meeting they will be reported at the meeting.

4.3 The Annual Accounts for 2013/14, together with the simplified summary accounts are included in the Council's Annual Report which is appended to this report.

5.0 Letter of Representation

5.1 The Council is required to provide a letter of representation to its External Auditors. These representations are required to be approved and acknowledged formally by a committee of the Council. A copy of this letter is attached to this report.

6.0 Recommendations

6.1 The Committee is asked to -

- note the amendments made to the annual accounts for 2013/14
- agree that the accounts are not amended for the unadjusted misstatement identified as set out in paragraph 2.4 of this report
- approve the annual accounts including the accounting policies contained within them
- approve and acknowledge the letter of representation attached to this report which will be signed by the City Treasurer and the Chair of the Committee

Appendix 1 – Letter of representation



Date: 22 September 2014

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

City Treasurer: Richard Paver

Telephone No: 0161 234 3564

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PO Box 532, Town Hall, Manchester M60 2LA

Dear Sirs

Manchester City Council

Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the group financial statements of Manchester City Council and its joint venture and subsidiary undertakings as shown in appendix I to this letter for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the group financial statements give a true and fair view in accordance with International Financial Reporting Standards.

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:

Group Financial Statements

- (i) We have fulfilled our responsibilities for the preparation of the group 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.
- (ii) We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the group financial statements.
- (iii) The Council has complied with all aspects of contractual agreements that could have a material effect on the group financial statements in the event of non-compliance.

- (iv) We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- (v) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- (vi) We are satisfied that the material judgements used by us in the preparation of the group financial statements are soundly based, in accordance with the Code, and adequately disclosed in the group financial statements. There are no further material judgements that need to be disclosed.
- (vii) Except as stated in the group financial statements:
 - a) there are no unrecorded liabilities, actual or contingent
 - b) none of the assets of the Council has been assigned, pledged or mortgaged
 - c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- (viii) 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.
- (ix) 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.
- (x) All events subsequent to the date of the group financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- (xi) Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- (xii) We have not adjusted the misstatements brought to our attention in the Audit Findings Report, as they are considered to be immaterial to the results of the Council and Group and the Council and Group financial position at the year-end.
- (xiii) The group financial statements are free of material misstatements, including omissions.
- (xiv) We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group financial statements.
- (xv) We believe that the group 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 group's needs. We believe that no further disclosures relating to the group's ability to continue as a going concern need to be made in the group financial statements.

Information Provided

- (xvi) We have provided you with:
 - a) access to all information of which we are aware that is relevant to the preparation of the group 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.
- (xvii) We have communicated to you all deficiencies in internal control of which management is aware.
- (xviii) All transactions have been recorded in the accounting records and are reflected in the group financial statements.
- (xix) We have disclosed to you the results of our assessment of the risk that the group financial statements may be materially misstated as a result of fraud.
- (xx) 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.
- (xxi) We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's group financial statements communicated by employees, former employees, regulators or others.
- (xxii) 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 group financial statements.
- (xxiii) We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- (xxiv) We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group financial statements.

Annual Governance Statement

- (xxv) 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 22 September 2014.

Signed on behalf of the Audit Committee

Name.....
Position.....
Date.....

Name.....
Position.....
Date.....