



The Annual Audit Letter for Manchester City Council

Year ended 31 March 2015

21 October 2015

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Manchester City Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in April 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

<p>Financial statements audit (including audit opinion)</p>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report at the Audit Committee held on 24 September 2015. The key messages reported were:</p> <ul style="list-style-type: none"> • we identified one material adjustment affecting the Council and Group reported financial position, relating to the carrying value of land acquired by the Council as part of its regeneration initiatives; this adjustment had no impact on the Council or Group useable resources. • we identified a small number of adjustments to improve disclosures within the financial statements. <p>We issued an unqualified opinion on the Council's and the Group 2014/15 financial statements on 29 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's and Group financial position and of the income and expenditure recorded by the Council and Group.</p>
<p>Value for Money (VfM) conclusion</p>	<p>We issued a qualified ('except for') VfM conclusion for 2014/15 on 29 September 2015.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, except in relation to the overall arrangements for ensuring the effectiveness of Children's Services at the Council, we were 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 2015.</p>

Key messages continued

Whole of Government Accounts	We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported to the National Audit Office on 2 October 2015 that the Council's pack was consistent with the audited financial statements.
Certification of grant claims and returns	<p>We certified one grant claim and one data return prepared by the Council relating to the 2013/14 financial year, with a total value of £278 million. Minor amendments were made to the claim and return following our work, and we were obliged to qualify our certificate on the Council's Housing Benefit claim due to an unexplained reconciliation difference of £4,494 between the claim form and the Council's Housing Benefits system. Further details were included in our January 2015 report on the 2013/14 certification work programme.</p> <p>We will report in full on the findings of our 2014/15 certification work programme to the Council's Audit Committee, on completion of this work.</p>
Audit fee	Our fee for 2014/15 was £276,222 excluding VAT, which was in line with our planned fee for the year. Further detail is included within Appendix B.

Value for money conclusion

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; and
- review regularly the adequacy and effectiveness of these arrangements.

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

These criteria are:

The Council has proper arrangements in place for securing financial resilience – whether 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 - whether 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 undertook a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted that the Council was performing well in securing financial resilience, despite continuing to operate in a challenging financial environment. This will assist the Council in managing the significant financial challenges that will be faced over the next two to three years.

Challenging economy, efficiency and effectiveness

We considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity
- the work of other regulators

Overall our work highlighted that the Council had well-established and effective arrangements for prioritising resources and increasingly sophisticated arrangements for challenging efficiency and seeking to improve productivity.

We noted that the Council had taken a variety of actions designed to reduce instances of sickness absence, improve the health and wellbeing of the workforce and improve productivity, but that in common with many other local authorities in the North West actual absence rates increased during 2014/15.

We also noted that the Council was making good progress in redesigning its Children's Services and in addressing the findings from Ofsted's September 2014 report on the effectiveness of the Council's Children's Services, although we noted that more work remained to be done in this key area.

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 concluded that, with the exception of certain matters relating to effective arrangements for Children's Services, we were 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 ended 31 March 2015.

We included two high priority recommendations within our Audit Findings Report and these are reproduced in Appendix A.

Appendix A: Key issues and recommendations

This appendix summarises the significant recommendations identified during the 2014/15 audit.

No.	Recommendation	Priority	Management response/ responsible office/ due date
1.	<p>The Council should give priority to securing an appropriate permanent appointee to the position of Strategic Director of Children's Services, to sustain improvements in leadership and management and to ensure the pace and scale of change is maintained.</p>	High	<p>A recruitment partner to progress this appointment has been selected and has begun the search process.</p> <p>Due date: October 2015</p>
2.	<p>Continue to take action to deliver on the Children's Services Improvement Plan and monitor the effectiveness of actions taken through the use of refreshed performance metrics. Particular attention should be given to:</p> <ul style="list-style-type: none"> • further development of the Multi Agency Safeguarding Hub • improving compliance with allocated social worker or team manager attendance at looked after children case reviews • securing Personal Education Plans for all looked after children • Improving fostering, adoption and leaving care services 	High	<p>We are continuing to work on our improvement plan and have robust governance and accountability arrangements in place.</p> <p>The MASH is being further strengthened as part of our plans for a fully integrated full door.</p> <p>Attendance by social workers at reviews and case conferences is now almost at 100%.</p> <p>PEP completion rates for Looked After Children between the ages of Reception and Year 11 have significantly improved during 2014/15 and by July 2015 88% of children had a PEP in place. We are continuing to drive this improvement. During the Autumn term we are implementing an electronic PEP for Looked After Young People aged 16 to 18.</p> <p>An improvement plan for fostering and adoption is now in place.</p> <p>Due date: Ongoing</p>

Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

Fees for audit services

	Per Audit plan £	Actual fees £
Audit Fee	276,222	276,222
Certification of 2014/15 Housing Benefit claim	15,050	TBC
Total audit fees	291,272	TBC

Fees for other services

Audit-related services	Fees £
Provision of an Accountant's Report relating to the Council's 2014/15 Teachers' Pensions' Return	4,600
Total	4,600

Reports issued

Report	Date issued
Audit Plan	30 April 2015
Audit Findings Report	16 September 2015
Annual Audit Letter	21 October 2015
Certification report	To be completed



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