

Audit Progress Report

Manchester City Council

March 2021



1. Audit Progress
2. National Publications

01

Section 01:
Audit Progress

Audit Progress

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

We are awaiting receipt of the Council's 2019/20 Whole of Government Accounts (WGA) submission and have not therefore completed the final element of our 2019/20 audit. The national WGA submission process has changed for 2019/20 and there have been significant difficulties with the HM Treasury system which have caused the Council challenges and delays. When our audit work is completed, we will issue our completion certificate and our final report for the 2019/20 audit, our Annual Audit Letter. This will be presented to a future Audit Committee meeting.

We have commenced our audit planning for the 2020/21 audit, and intend to present our Audit Strategy Memorandum to the April 2021 Audit Committee meeting. We have held regular discussions with the Council's Deputy Chief Executive & City Treasurer and these help us to keep up to date with emerging issues that may impact on our external audit.

One issue that has been discussed is the timetable for the production of draft financial statements and the delivery of our external audit of them. In 2019/20 the Council produced its draft financial statements by the end of July and we completed our external audit on 30 November 2020. Delivering the 2020/21 closedown of accounts, and external audit, is as challenging as it was in 2019/20, with additional detailed work continuing to be required on the valuations of land & buildings and pension liabilities for example, as well as the continued significant impact of the Covid-19 pandemic on the Council and ourselves.

The timescales for the 2020/21 audit require the Council to complete their draft accounts by June 2021 and for our audit work to be completed by September 2021, which is two months earlier than the extended deadlines agreed for 2019/20.

Audit Progress

Audit progress (continued)

Mazars and the City Council have responded to the national consultation around audit timescales and believe that achieving this timetable will place significant pressure on the Council's finance staff and our own external audit staff. It should be noted that as of the end of January 2021 the external audit of 180 local authority financial statements remained outstanding.

We believe that the timescale for 2020/21 for the audit of the City Council is unrealistic, particularly given the complexity of the Council's financial statements. We have been in discussion with the Deputy Chief Executive and City Treasurer about the timetable and whether it would be more realistic to plan for the Council to complete the draft statements for the single entity and group accounts by August 2021, and for us to complete the external audit by November 2021. We will continue to work closely with the Council in the closedown process, to review working papers and start key areas of work on land & building valuations in advance of August to ensure the process runs as smoothly as possible.

From our knowledge of the Local Audit & Accountability Act 2014 and the Accounts & Audit Regulations we are not aware of any sanctions that apply to the Council or ourselves for not completing the external audit of the financial statements by 30 September 2021, although the Council will need to publicise on its website that the external audit hasn't yet been completed in order to comply with the statutory requirements. We will continue our routine discussions with the Council as they progress with their closedown arrangements, and we will continue to report our progress to the Audit Committee.

02

Section 02:

National Publications

National Publications

	Publication/update	Key points	Page
National Audit Office			
1	Good practice in annual reporting	Interactive NAO guidance	10
2	Good practice guidance: Fraud and Error	NAO guidance	

NATIONAL PUBLICATIONS

National Audit Office

1. Good practice in annual reporting, February 2021

The NAO has published an interactive guide that sets out principles of good practice for annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area. The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy (which includes Great Ormond Street Hospital for Children NHS Foundation Trust Annual Report and Accounts 2019-20 for its visually engaging example of an organisation's five-year plan).
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

It also provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>

2. Good practice guidance: Fraud and Error, March 2021

The National Audit Office's (NAO) work over the past year has shown that the risk of fraud and error has risen significantly during the pandemic.

In some cases this is because some counter-fraud controls were no longer safe to operate; for example, the Department for Work & Pensions' requirement for face to face meetings with benefit applicants. In other cases, the speed with which some payments have been made has left government exposed to higher levels of fraud and error than would normally be the case.

The NAO's work highlights what can be done to measure how much fraud and error there is in the system, put effective counter-fraud and error controls in place and detect and pursue overpayments to protect the taxpayer's interest.

<https://www.nao.org.uk/report/good-practice-guidance-fraud-and-error/>

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