

# Audit Completion Report

Manchester City Council – Year ended 31  
March 2022

September 2023



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Members of the Audit Committee  
Manchester City Council  
Manchester Town Hall  
Manchester  
M60 2LA

14 September 2023

Dear Committee Members

## **Audit Completion Report – Year ended 31 March 2022**

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our findings and audit conclusions.

The scope of our work, including identified significant audit risks, key audit matters and other areas of management judgement, was outlined in our Audit Strategy Memorandum which was dated 8 November 2022 and presented to the March 2023 Audit Committee meeting. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks, key audit matters and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07977 261873.

Yours faithfully

Suresh Patel  
Partner

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# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks, key audit matters and areas of management judgement. The key audit matters that were of most significance in our audit of the Financial Statements for disclosure in our auditor's report:

- Valuation of Property, Plant & Equipment.
- Valuation of Investment Property.
- Valuation of the Defined Benefit Pension Liability.

Section 4 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control.
- Consolidation of group financial statements.
- Accounting for Northwards Housing.
- Accounting for Cash & Cash Equivalents.

## Misstatement and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £23.2m.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022.

At the time of preparing this report, the significant matters remaining outstanding are outlined in section 2. We will provide an update to you in relation to the significant matters outstanding in a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



### Audit opinion

Based on the satisfactory completion of the outstanding work, we anticipate issuing an unqualified opinion, without modification, on the financial statements.



### Value for Money

Our work on the Council's value for money arrangements is still to be completed. Based on the work carried out to date we anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.



### Whole of Government Accounts (WGA)

For 2021/22, the National Audit Office increased the threshold for completing detailed audit work on the Council's WGA return. The Council is below the revised threshold. Where required by NAO's Group Instructions we will undertake the required detailed procedures.



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have not received any questions during 2021/22.

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# 02

Section 02:

**Status of the audit**

## 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

| Audit area   | Status  | Description of the outstanding matters  |
|--|---|---|
| Pension Liability  |    | We are completing our audit procedures over the Council's final actuarial valuation report  |
| Movement in Reserves Statement   |    | Following amendments made to the draft financial statements we are completing our final procedures over the MIRS and related disclosures  |
| Cost of Services expenditure and income  |    | Final internal review of the completed work is still to be completed and cleared  |
| Cash flow statement  |    | We are completing our audit procedures over the Council's revised cash flow statement and related disclosures   |
| Financial instruments disclosures  |    | Final internal review of the completed work is still to be completed and cleared  |
| Group consolidation  |    | We are completing our audit procedures over the Council's consolidation of its group entities into its Group Financial Statements   |
| Final review procedures  |    | Final review of audit work by the Engagement Lead and Engagement Quality Reviewer   |
| Post Balance Sheet Events  |   | At the conclusion of the audit we will obtain the Council's updated consideration of events after the balance sheet date and consider the completeness and accuracy of the events disclosed in the notes to the accounts. This will include the Council's consideration of the impact of the current RAAC issue on Council buildings. |
| Financial statements, Annual Governance Statement and letter of representation |  | We will complete our final review of the financial statements upon receipt of the signed version of the accounts and letter of representation.  |



Likely to result in material adjustment or significant change to disclosures within the financial statements.



Potential to result in material adjustment or significant change to disclosures within the financial statements.



Not considered likely to result in material adjustment or change to disclosures within the financial statements.

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# 03

## Section 03: **Audit approach**



# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented to Audit Committee in March 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £34,100k for the Group audit and £29,500k for the Council single-entity audit, using a benchmark of 1.5% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements is unchanged from the planning stage.

## Service organisations

There are no service organisations used by the Council which impact upon our planned audit approach.

## Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

| Item of account  | Management's expert       | Our expert   |
|--|---------------------------|--|
| Defined benefit pension assets and liabilities                                       | Hyman Robertson           | PwC – NAO's consulting actuary   |
| Non-Council Dwelling Property, Plant and Equipment and Investment Property valuation | Jacobs                    | Mazars in house valuation team   |
| Council dwellings valuation  | Capita                    | N/A – local audit team   |
| Surplus Assets valuation   | Council valuation experts | Mazars in house valuation team   |
| Valuation of MAHL and DML land & buildings for Group consolidation purposes          | Avison Young              | Mazars in house valuation team   |
| Valuation of Financial Instruments   | Link Asset Services       | We will review Link's methodology for providing the fair value disclosures |



# 3. Audit approach

## Group audit approach

The Council's consolidated group structure for 2021/22 includes one joint venture, Manchester Airport Holdings Ltd, and one wholly owned subsidiary company, Destination Manchester Ltd. In auditing the accounts of the Council's Group financial statements we obtained assurance over the transactions and balances in the Group relating to the Council's group entities.

Our approach reflected the size and complexity of the transactions from the group entities that are consolidated into the Council's Group financial statements. Our approach is outlined below and we confirm there are no changes to the planned approach set out in our Audit Strategy Memorandum.

| Group component                     | Approach adopted | Key points or other matters to report   |
|-------------------------------------|------------------|---|
| Manchester City Council             |                  | The Mazars audit team undertook the full audit of the Council   |
| Manchester Airport Holdings Limited |                  | The Mazars audit team issued Group Audit Instructions to KPMG, auditors of the 2021/22 MAHL accounts. The Mazars team reviewed the work carried out by KPMG to confirm it provided the assurance requested in the Group Audit Instructions.<br>The Mazars audit team, using the Mazars valuation team, audited the Council's valuation of the operational MAHL land & buildings applied to the group consolidation.<br>The component materiality applied to the MAHL audit work was £19m. |
| Destination Manchester Ltd          |                  | The Mazars audit team, using the Mazars valuation team, audited the Council's valuation of the operational MAHL land & buildings applied to the group consolidation. The Mazars audit team applied review procedures to the remaining consolidated entries.<br>The component materiality applied to the DML audit work was £15m.  |

- Full audit**  
Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality
- Audit of balances and/or disclosures**  
Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality
- Specific audit procedures**  
Performance of specific audit procedures on the component's financial information
- Review procedures**  
Review of the component's financial information prepared for group reporting purposes using the component materiality assigned



# 04

## Section 04: **Significant findings**

## 4. Significant findings

In this section we outline the significant findings from our audit. These findings include our findings on key audit matters, including:

- why the matter was considered;
- why the matter was considered to be one of the most significant in the audit and therefore determined to be a key audit matter;
- how the matter was addressed in the audit including a summary of the auditor's response to those risks;
- where relevant, key observations arising with respect to those risks; and
- a clear reference to the relevant disclosures in the financial statements.

In addition we report:

- our audit conclusions regarding other significant risks, key audit matters and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 20 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

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## 4. Significant findings

### Key Audit Matters

#### Valuation of property, plant and equipment (Council and Group)

##### Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the current value at that date. The Council has adopted a rolling revaluation model which sees all such property, plant & equipment revalued in a five-year cycle. The valuation of property, plant & equipment involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. The Council employs a valuation expert to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at the current value at the balance sheet date. In addition, as the valuations are undertaken through the year there is a risk that the current value of the assets could be materially different at the year end. Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing (EUV-SH). The Social Housing adjustment factor is prescribed in government guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Council's area they can use their more accurate local factor. There is a risk that the Council's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence. The Council's two consolidated entities, MAHL and DML, account for their land & buildings at cost as permitted by their financial reporting framework. In consolidating their share of the two entities the Council must align the companies' accounting policies with their own. Consequently for the group consolidation exercise the Council engages an external valuer to value the land & buildings consistent with the Council's accounting policies.

##### How we addressed this risk

Our audit procedures included but were not limited to:

- Obtaining an understanding of the skills, experience and qualifications of the Council's valuers, and considering the appropriateness of the Council's instructions to the valuers.
- Obtaining an understanding of the basis of valuation applied by the valuers in the year.
- Critically assessing the Council's approach to ensure that assets not subject to revaluation in 2021/22 are materially fairly stated.
- Critically assessing the Council's approach to ensure that assets revalued through 2021/22 are materially fairly stated at the year end.
- Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuers as part of their valuations
- Comparing the valuations to our valuation expert's estimate of the valuations for a sample of assets.
- Using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2022.
- Substantively testing for a sample of assets how valuation movements were presented and disclosed in the financial statements.

##### Audit conclusion

Our work on the valuation of the Council's property, plant and equipment concluded that one asset was overstated by £4m and assets which had not been valued at 31 March 2022 were undervalued by £10m. Section 6 outlines the audit misstatements from our testing. There are no matters to report from the work on the valuation of the Group entities' land & buildings.

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# 4. Significant findings

**Valuation of investment properties (Council)**

**Description of the risk**

The CIPFA Code requires that where Investment Property assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The valuation of Investment Property involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. The Council employs valuation experts to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved.

**How we addressed this risk**

Our audit procedures included but were not limited to:

- Obtaining an understanding of the skills, experience and qualifications of the valuers, and considering the appropriateness of the instructions to the valuers from the Council.
- Critically assessing the basis of valuation applied by the valuers in the year.
- Critically assessing the appropriateness of the methodology and assumptions adopted by the Council's valuers for a sample of assets.
- Comparing the valuations to our valuation expert's estimate of the valuations for a sample of assets.
- Sample testing the completeness and accuracy of underlying data used by the valuers as part of their valuations.

**Audit conclusion**

We have completed our work. There were no matters identified from the work to report to the Audit Committee.



## 4. Significant findings

### Valuation of Council's and the Group's defined benefit pension liability (Council)

#### Description of the risk

The net pension liability represents a material element of the Council balance sheet. The Council is a scheduled employer body within the Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2019. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the liability, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the pension obligations are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the Council net pension liability in 2021/22.

#### How we addressed this risk

Our procedures included:

- Critically assessing the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary from the Council.
- Obtaining confirmation from the auditor of the Greater Manchester Pension Fund that the Pension Fund has designed and implemented controls to prevent and detect material misstatement. This included the controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation of the gross asset and liability is complete and accurate.
- Obtaining a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluating whether the outcome of their work would affect our consideration of the council's share of Pension Fund assets. The Pension Fund auditor work included comparing the asset values used for the actuarial valuation to those subjected to audit by the Pension Fund auditor.
- Testing the actuarial allocation of Pension Fund assets to the Council by the actuary, including comparing the Council's share of the assets to other corroborative information.
- Challenging the appropriateness of the Pension Asset and Liability valuation methodology applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges provided by our expert, PWC, consulting actuary engaged by the National Audit Office.
- Agreeing the data in the IAS 19 valuation report provided by the Pension Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's and Group's financial statements.

#### Audit conclusion

During the audit the Council received two revised valuations of its pension fund liability. The first corrected an error made by the Pension Fund/actuary on the Council's pensionable pay and the second reflected the updated membership data and actuarial assumptions arising from the triennial valuation report, which became available during the audit. The impact of these two changes increased the Council's Net Pension Liability by £75.6m to £540.6m.

As set out in section 2, we are still to complete our work on the final actuarial valuation report.

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# 4. Significant findings

## Significant risks

### Management override of controls

#### Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

Our work on the net pension liability accounting estimate is still to be completed. Our other work covering the risk of management override of controls is complete. We have raised one level 3 control recommendation in relation to journal access rights (see Section 5). There are no other matters to report to the Committee.





# 4. Significant findings

## Consolidation of group financial statements

### Description of the management judgement

The Council has made judgements around which of its group entities it consolidates into its Group Financial Statements, and how it consolidates the transactions and balances into the Group. The consolidation process is a complex process and involves material amounts of transactions and balances.

The audit of the 2020/21 identified audit adjustments to be made to the group consolidation process.

### How our audit addressed this area of management judgement

Our approach to auditing the Group Financial Statements has been detailed in section 3.

Our procedures on the consolidation process included:

- Reviewing the Council’s Group consolidation process and considering the completeness and appropriateness of the consolidation adjustments.
- Reviewing the Council’s judgements relating to the entities that are not consolidated into the Group Financial Statements.
- Reviewing the method of consolidation of the consolidated group entities into the Group Financial Statements.
- Agreeing the consolidated financial information to supporting evidence from the group entity financial statements.

### Audit conclusion

As highlighted in section 2, our work on the Council’s group consolidation is still to be completed.



# 4. Significant findings

## Key areas of management judgement and enhanced risks

### Accounting for Northwards Housing

#### Description of the management judgement

The Council brought its Arms Length Management Organisation, Northwards Housing, back in-house from 1 July 2021. The accounting treatment of such arrangements is determined by the CIPFA Code and International Financial Reporting Standards. The entries relating to Northwards Housing, particularly its net defined pension liability are material.

#### How our audit addressed this area of management judgement

- Our approach to auditing the accounting treatment of bringing Northwards Housing in-house included:
- Critically evaluating the accounting treatment considering the Code and IFRS requirements.
  - Reviewing the actuary’s report to gain assurance that the pensions liabilities of Northwards are correctly recognised in the Council’s financial statements.
  - Reviewing the accuracy and completeness of any disclosures.

#### Audit conclusion

Our work concluded that the Council’s accounting treatment of the pension liabilities in the Comprehensive Income & Expenditure Statement was incorrect. In our view the correct treatment would result in the transferred Northwards pension liabilities to be accounted for as Other Comprehensive Income & Expenditure. The Council has adjusted the financial statements to move the £37.9m transferred liabilities from the Net Cost of Services to Other Comprehensive Income & Expenditure.



# 4. Significant findings

## Key areas of management judgement and enhanced risks

### Accounting for Cash and Cash Equivalents

#### Description of the management judgement

The 2020/21 audit identified two issues with the accounting for cash and cash equivalents. The closedown processes omitted transactions received and paid on 31 March 2021 from the adjustments to the two main bank accounts, and cash to reimburse an imprest account was transferred to the wrong account.

#### How our audit addressed this area of enhanced risk

Our approach to auditing the cash and cash equivalents included:

- Confirming that the correct adjustments were made to the 31 March 2022 bank balance for those transactions received and paid on 31 March 2022.
- Reviewing imprest accounts to confirm that balances are in line with our expectations.

#### Audit conclusion

Our work relating to this enhanced risk is complete and there are no matters to report to the Committee. The follow up of our 2020/21 internal control recommendations relating to this area is reported in section 5.



## 4. Significant findings

### Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 27 September 2022 and were of a reasonable quality. Supporting working papers have been made available and these assisted our audit progress. In producing this report in September 2023, we note that the Council has strengthened its closedown arrangements and resourcing during 2022/23 and this will assist the Council to continue to improve the closedown arrangements. We have maintained a strong working relationship with the Council finance officers who have continued to assist our audit and have been helpful in answering our detailed audit queries.

### Significant matters discussed with management

During the audit we maintained a regular dialogue with management. Among the matters discussed through these conversations were:

#### Accounting for Infrastructure Assets

We discussed the Council's treatment of its Infrastructure Assets, particularly once the solution to the national issue was published. The Council carried out significant additional work to identify the impact on the reported balances and disclosures and we maintained a close contact with the Council finance team through this work. We completed our audit work and concluded the adjustments to the accounts made by the Council were in line with the CIPFA guidance and statutory override provided by the government department (DLUHC).

#### Valuation of land & buildings not valued in the year

We discussed the Council's approach to ensuring its assets are materially accurate at 31 March 2022 where there has not been a full valuation in 2021/22. As reported in section 6 there is an immaterial unadjusted misstatement relating to assets which had not been revalued.

We discussed the Council's accounting treatment of the transfer of Northwards Housing, in particular, relating to the transferred net pension liability of £37.9m. We discussed our interpretation of the CIPFA Code that the transfer of Northwards Housing should be treated as a transfer by adsorption, whereby the transferred pension liability would be accounted as an item of Other Comprehensive Expenditure. As reported in section 6 the Council has processed this amendment.

#### Cash Flow reporting

We discussed the Council's approach to producing the cash flow statement, following initial audit queries that identified a material error in the initial cash flow statement. Following these discussions the Council procured and applied a toolkit available from CIPFA, and this enabled the Council to identify the appropriate entries for the cash flow statement.

#### Impairments of financial assets

We discussed the Council's approach in considering impairments of its financial assets. We obtained explanations and evidence to support the Council's approach to impairing its assets including those assets, such as the loans to Manchester Airport, which it has not impaired.

#### Impact of the War in Ukraine

The ongoing war in Ukraine has far-reaching consequences for public sector organisations. As part of our audit we discussed with management the impact of the war on the Council's operations, and whether any disclosures are required in the financial statements. We are satisfied there are no issues arising which would require specific disclosures in the financial statements.

#### Covid-19

We continue to discuss the impact of the Covid-19 pandemic on the Council's operations and financial statements. In particular we focussed on the accounting treatment of grant income, and whether the Council accounts for these grants as a principal or agency relationship. We are satisfied there are no issues arising from the Council's treatment of Covid related grants in 2021/22.



# 4. Significant findings

## Significant difficulties during the audit

Delays caused by a national issue on accounting for infrastructure assets, and complex accounting issues impacted the Council's group consolidation, caused the 2020/21 audit to be delayed. These delays consequently impacted on the progress of the 2021/22 audit, which then included the need for the Council to consider the impact of the triennial pension fund valuation on its pensions liability. We have continued to have the full co-operation of management as we continue to complete the 2021/22 audit.

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2021/22 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any new questions in 2021/22 and we have not received any objections.



# 05

Section 05:

**Internal control recommendations**

# 5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

| Priority ranking  | Description  | Number of issues |
|-------------------|--|------------------|
| <b>1 (high)</b>   | In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately. | 0                |
| <b>2 (medium)</b> | In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.   | 1                |
| <b>3 (low)</b>    | In our view, internal control should be strengthened in these additional areas when practicable.   | 1                |



# 5. Internal control recommendations

## Other deficiencies in internal control – Level 2

### Description of deficiency

Our work on the Council's NNDR processes and controls identified that during 2021/22 the Council had not reconciled the ratable value and properties per the Valuation Office report to the Council's system.

### Potential effects

Errors in either the VOA report or the Council's system data may go unresolved. We carried out additional audit procedures to reconcile the year end VOA report to the Council's system.

### Recommendation

The Council should carry out regular reconciliations between the external VOA report and its internal system data.

### Management response

As at 31 March 2022 the VOA's report quoted the Council's Ratable Value (RV) was £896,353,448 which compares to the Academy report showing £896,454,712. A relatively small difference of £101,264 (0.01%).

The City Council receives RV updates from the VOA twice a week (Monday and Wednesdays). These updates (known as Billing Authority Transaction reports) include all instances that result in a change to a hereditament's RV, for example new builds, demolitions and deletions, splits, mergers and successful appeals. The business rates system, Academy, is updated for these amendments.

A full Rating List is released by the VOA twice a year around November and April and the Council carries out a reconciliation against this full list.

## Other recommendations in internal control – Level 3

### Description of deficiency

Our work on the Council's journal transfers considered whether the user processing the journal was an appropriate officer. Following discussion with the Council finance team, they concluded that two such users were not appropriate and their access rights should be amended to remove journal processing.

### Potential effects

Inappropriate access to process journals increases the risk of journals being processed by mistake. We reviewed all journals processed by the two users and tested the significant journals which impacted on the reported financial position. No audit issues were identified from this testing.

### Recommendation

The Council should regularly confirm that all users with journal processing rights remain appropriate.

### Management response

The two users identified have had their permissions revoked, one had been picked up automatically via leavers process carried out in ICT.

A new finance systems team has been established to support the finance team in the "Our Finance and HR System replacement project." This team will pick up the overview of permissions in the new system and will review and cleanse existing data as part of the preparation for this to ensure users have appropriate journal permissions.

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# 5. Internal control recommendations

## Follow up on previous internal control points

### Description of deficiency

The Council wrongly transferred cash intended to reimburse a Council imprest account, into an account relating to looked after children who are on remand. There were inadequate controls to prevent the transfer of imprest reimbursements being made to incorrect accounts. The initial control weakness was compounded by a weakness in the reconciliation of the imprest accounts which did not identify that the account was overdrawn by the amounts transferred through 2020/21.

### Potential effects

The control weakness relating to the incorrect transfer of cash funds has resulted in the Council providing £84k of cash to a different account which is unrelated to the imprest accounting. The control weakness relating to the imprest account reconciliations has resulted in the initial error not being identified in order for timely corrective action to be taken.

### Recommendation

- a) Ensure that approval for setting up or amending imprest reimbursement bank instructions include senior officer review and approval.
- b) Ensure that imprest accounts are reconciled monthly and that the reconciliations are subject to timely review by a senior officer.

### 2021/22 update

Internal Audit carried out a review of Imprest Accounts over the summer of 2023. As a result, they were able to confirm that approval is required from a senior officer to set up or amend reimbursement bank instructions. Procedures require that imprest accounts are reconciled and reviewed monthly, however the audit identified that there is room for improvement in compliance with this policy and in defining clear pathways for escalation if reconciliations are not received in a timely manner. This report was issued in draft in September, and we are seeking a formal management response in line with our standard agreed timescales.

### Description of deficiency

The Council's closedown processes include processing adjustments in the general ledger to 'write-back' transactions that are received in, and paid from, the two main bank accounts on 31 March 2021. This process was omitted in 2020/21. The omission was not identified until after the draft financial statements were produced.

### Potential effects

The impact of this process being omitted was that there were material misstatements in the bank, short term debtors and short term creditors balances in the draft financial statements

### Recommendation

Ensure that closedown processes in 2021/22 include the correct processing of adjustments in the general ledger to reflect transactions received in and paid from the bank on 31 March 2022.

### 2021/22 update

Recommendation implemented. No further weaknesses identified.



# 5. Internal control recommendations

## Follow up on previous internal control points

### Description of deficiency

In carrying out the land & buildings and investment property valuations instructed by the Council, the Council's external valuer is dependent on obtaining sufficient and appropriate information from the Council. In some cases in 2020/21 the information provided to the valuer was insufficient to enable them to produce a valuation compliant with the requirements of financial reporting standards and the CIPFA Code.

In addition the Council's review and challenge of the output from the valuer did not identify issues with the valuation methodology and assumptions for some assets.

### Potential effects

The valuations of land & buildings and investment property are significant and complex accounting estimates. The impact of incomplete or inaccurate information increases the likelihood of material inaccuracies in the valuation of the Council's assets.

### Recommendation

- a) The Council's finance team should manage and coordinate the valuation process, ensuring other Council departments provide the required information to the external valuer on a timely basis.
- b) The Council should review and challenge the output from the external valuer.

### 2021/22 update

Our audit work on the 2021/22 land & buildings and investment property valuations has not identified the same level of audit issues although significant discussions were again held between the Council's valuers and our audit team to establish the methodology and assumptions adopted. We have reported one valuation overstatement in section 6. We note that the Council has appointed different valuation experts in 2022/23.

### Description of deficiency

The Council has a 5 year rolling programme for revaluing its operational land & buildings. This results in significant numbers and values of assets not being formally valued each year. In order to ensure the value of these assets at the year end remains materially accurate the Council requests its external valuer to carry out work to consider the change in valuation for these assets since they were last valued. In 2020/21 the value of assets not formally valued in year was over £900m. The work initially completed by the Council and its valuer did not cover all £900m and was not sufficiently detailed to conclude the values remained materially accurate. Subsequent work carried out by the Council and its valuer identified the values were understated by a material amount.

### Potential effects

The valuation of the assets not formally valued in year can be significant values, and the previous valuation could be up to four years ago. The likelihood of values not remaining materially correct is greater, and this impact did occur in 2020/21.

### Recommendation

Ensure the consideration of the value of land & buildings not formally valued in year includes all such assets, and is sufficiently detailed to provide sufficient evidence of the current value of such assets.

### 2021/22 update

One significant value specialist asset which was not valued in 2021/22 was not subject to detailed review to confirm the current value of the asset. We have reported an unadjusted misstatement for this asset in section 6.

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# 5. Internal control recommendations

## Follow up on previous internal control points

### Description of deficiency

Our testing of expenditure items in 2020/21 included the purchase of personal protective equipment (PPE) from June 2020, during the national lockdown, and during a period where PPE was in short supply. The PPE purchase we tested was for £765k. The purchase was made via a purchase card. The evidence of officer approval of the purchase was not available for audit. Officers explained this was because of the extraordinary circumstances of the period, and consider the approval may have been provided through a message which had not been retained. The issue was further impacted by the Council changing its IT messaging system since the purchase such that access to old messages was not available.

### Potential effects

While we acknowledge the extraordinary circumstances of the time of this purchase, reflecting the urgent need to purchase PPE and to distribute it to Council staff, the non-retention of approval evidence leads to the Council not being able to confirm purchases were made according to the Council's control framework.

### Recommendation

Ensure all purchases, especially those made by purchase card, are supported by a retained audit trail of evidence of approval of the order/payment.

### 2021/22 update

Our 2021/22 audit has not identified any purchases not supported by an appropriate audit trail.

### Description of deficiency

Our review of IT controls identified the Council had not tested the restoration of backups during 2020/21.

### Potential effects

Not testing the restoration of backups means exposes the Council to the risk that backups may not restore fully and accurately when needed, and that issues are not identified and addressed in a test environment.

### Recommendation

Establish a policy of regular, at least annual, testing of the restoration of backups. Document the test results and the investigation and resolution of identified issues.

### 2021/22 update

Our audit work in 2021/22 did not identify a similar deficiency.



# 5. Internal control recommendations

## Follow up on previous internal control points

### Description of deficiency

During our audit of the Council's IT controls we identified that during 2020/21 three IT users with 'super user access' did not have 'user change forms' completed to support the change in access request. The requests were supported by emails.

### Potential effects

The potential effects include there being unidentified inappropriate access to IT resources, and a lack of audit trail to support access permissions.

### Recommendation

Ensure all requests for user access changes apply the Council's user access process and are documented. Approval should be sought and documented for 'super user' access.

### 2021/22 update

Our 2021/22 audit has not identified a similar deficiency.



# 06

Section 06:

## **Summary of misstatements**

## 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £885k for the Council accounts. These misstatements also impact on the Council's Group Financial Statements. This table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

### Unadjusted misstatements

|  |                                 | Comprehensive Income and Expenditure Statement |            | Balance Sheet |               |
|--|---------------------------------|--|------------|---------------|---------------|
|  |                                 | Dr (£'000)                                     | Cr (£'000) | Dr (£'000)    | Cr (£'000)    |
| 1  | Dr: Unusable Reserves           |  |            | 5,722         |               |
|  | Cr: Infrastructure Assets       |  |            |               | 5,722         |
| <p>In responding to the national resolution to the accounting for infrastructure assets issue, the Council has updated its asset lives for different categories of infrastructure assets. The increase in depreciation as a result of these updated asset lives is £5.7m. This includes the unadjusted misstatement reported in our 2020/21 Completion Report of £2.3m and the impact on 2021/22 of £3.4m. This would reduce the Infrastructure Assets Net Book Value at the year end, and would correspondingly reduce the Capital Adjustment Account in Unusable Reserves.</p> |                                 |  |            |               |               |
| 2  | Dr: Property, Plant & Equipment |  |            | 10,658        |               |
|  | Cr: Unusable Reserves           |  |            |               | 10,658        |
| <p>The increase in the valuation of assets not revalued in 2021/22 by applying indexation to the brought forward value (£9.3m) and the increase in valuation of an asset where a revised valuation was obtained but not processed in the fixed asset register as the change in value was immaterial (£1.3m).</p>   |                                 |  |            |               |               |
| 3  | Dr: Unusable Reserves           |  |            | 4,208         |               |
|  | Cr: Property, Plant & Equipment |  |            |               | 4,208         |
| <p>Our valuation expert has reviewed the methodology and assumptions used in valuing the Council's land &amp; buildings. Our conclusion from that work is that one asset has a valuation above the upper-end our expected valuation range. The total overstatement of that asset is £4.2m.</p>   |                                 |  |            |               |               |
| <b>Total carried forward to next page</b>  |                                 | -  | -          | <b>20,588</b> | <b>20,588</b> |

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## 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £885k for the Council. These misstatements also impact on the Council's Group Financial Statements. This table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust. The following page outlines the misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements

|   |  | Comprehensive Income and Expenditure Statement |              | Balance Sheet |               |
|---|--|--|--------------|---------------|---------------|
|   |  | Dr (£'000)                                     | Cr (£'000)   | Dr (£'000)    | Cr (£'000)    |
| 4   | Dr: Short Term Debtors – Payments in Advance |  |              | 1,905         |               |
|   | Dr: General Fund Reserves                    |  |              | 774           |               |
|   | Cr: Net Cost of Services Gross Expenditure   |  | 2,679        |               |               |
| <p>Our testing of Net Cost of Services Gross Expenditure identified two items that were incorrectly accounted for in 2021/22. One item (£13k) related to 2020/21 and should have been accrued in that year. One item related to an annual service contract and 5 months should have been recognised in 2022/23 (£33k). Because we identified this error in our sample testing, in line with our approach, we extrapolated the known error of £46k over the remaining untested gross expenditure. The extrapolated impact of £2.6m is split between the impact on 2022/23 (£1.9m) and 2020/21 (£0.8m).</p> |  |  |              |               |               |
| <b>Total unadjusted misstatements</b>   |  | <b>-</b>                                       | <b>2,679</b> | <b>23,267</b> | <b>20,588</b> |

Management have determined that they will not adjust for the above misstatements as in their view they are neither individually or cumulatively material to the Council and Group accounts. We have considered management's response and consider it to be reasonable..

## 6. Summary of misstatements

### Adjusted misstatements

This table sets out the significant misstatements that management have adjusted in the financial statements.

|   | Comprehensive Income and Expenditure Statement |               | Balance Sheet |               |
|---|--|---------------|---------------|---------------|
|   | Dr (£'000)                                     | Cr (£'000)    | Dr (£'000)    | Cr (£'000)    |
| 1   | Dr: Unusable Reserves                          |               | 75,599        |               |
|   | Cr: Net Pension Liability                      |               |               | 75,599        |
| <p>The initial actuarial valuation was updated to reflect a) an error made by the Pension Fund in submitting information to the actuary and b) the updated information on membership data and assumptions from the actuarial triennial review published in 2022/23. The impact of these changes was to increase the Council's Net Pension Liability by £75.6m with a corresponding increase in the negative pension reserve. This amendment also impacts on the Other Comprehensive Income in the CIES.</p> |  |               |               |               |
| 2   | Dr: Unusable Reserves                          |               | 10,206        |               |
|   | Cr: Property, Plant & Equipment                |               |               | 10,206        |
| <p>Following audit enquiries, the Council, and their external valuer, carried out additional work to more accurately estimate the valuation of a revalued asset. The valuation in the draft accounts was understated by £10.2m. The unusable reserves were understated by the same amount.</p>  |  |               |               |               |
| 3   | Dr: Other Comprehensive Expenditure            | 37,967        |               |               |
|   | Cr: Net Cost of Services Gross Expenditure     |               | 37,967        |               |
| <p>The transferred pension liability relating to Northwards Housing was adjusted to remove the cost from the Net Cost of Services and include it within Other Comprehensive Expenditure. This adjustment was required to comply with the CIPFA Code and does not impact on the Council's total comprehensive expenditure or the balance sheet.</p>  |  |               |               |               |
| <b>Total adjusted misstatements</b>   |  | <b>37,967</b> | <b>37,967</b> | <b>85,805</b> |
|   |  |               | <b>85,805</b> |               |

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## 6. Summary of misstatements

### Accounting for Infrastructure Assets – adjusted amendments

As highlighted in our previous year's Audit Completion Report the Council responded to the resolution of the national issue on accounting for infrastructure assets. The Council carried out significant amounts of further work to identify the corrections needed to account for Infrastructure Assets in line with the statutory override and updated CIPFA guidance. This work has led to the following adjustments in the financial statements:

- The Balance Sheet, and Group Balance Sheet, includes a separate line for Infrastructure Assets (£552.7m), having removed these from the Property, Plant & Equipment line.
- Note 5.2.5 has been added to disclose the Council's accounting policy for infrastructure assets.
- Note 19 is now separated into Note 19a and 19b. Note 19b discloses the infrastructure assets to comply with the statutory override and CIPFA guidance.

### Disclosure amendments

The adjustments to the main financial statements on the previous pages in this section also impact on the related notes to the financial statements.

In addition to those amendments, the Council has also made amendments to other disclosure notes. The most significant of these adjustments include:

- **Removal of immaterial notes** – the Council has reviewed its disclosure notes and has removed notes from the draft financial statements that do not disclose material items
- **Impact of changes to 2020/21 financial statements** – the changes made to the 2020/21 disclosure notes have been reflected in the updated 2021/22 financial statements
- **Cash Flow Statement and related notes** - the Council updated its cash flow statement and notes to correct errors identified. This impacted on the Group Cash Flow Statement
- **Note 12 – Pooled Funds** - amended to include the entire pooled budget with Manchester CCG rather than just the element relating to the Better Care Fund
- **Note 17 – Revenue Grants credited to the CIES** – additional Covid grants previously omitted were included in this note
- **Note 25 – Asset valuation date** – value of assets valued in 2020/21 and 2021/22 amended to reflect correct valuation date
- **Note 29 – Capital expenditure and capital financing** – expenditure on Investment Properties and Heritage Assets has been separately disclosed
- **Note 37 – Financial Instruments** – additional disclosures were included to comply with the CIPFA Code with adjustments made to some of the disclosures
- **Note 45 – Related Party Transactions** – additional work carried out by the Council following audit challenge identified additional related parties and transactions to disclose. These have been added into the note.

### Unadjusted disclosure amendments

In addition to the disclosure adjustments made, there are adjustments to the Group Cash Flow Statement notes which have not been made. The Group Cash Flow Statement note 9 does correctly classify the Council's subsidiary depreciation and movement of debtors and creditors in the adjustments for non-cash movements. These adjustments are incorporated within the Other Non-Cash Items line in Group Note 9. None of the items are individually or cumulatively material.

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# 07

Section 07:

**Value for Money**

# 7. Value for Money

## Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in November 2023.

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.



# Appendices

A: Draft management representation letter

B: Draft Audit Report

C: Independence

C: Other communications

# Appendix A: Draft management representation letter

To be provided to us on client headed note paper

[Date]

Dear Suresh

## Manchester City Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Manchester City Council ('the Council') and its Group for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

### My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

### My responsibility to provide and disclose relevant information

I have provided you with:

- 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 material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

### Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council, Executive and committee meetings, have been made available to you.



# Appendix A: Draft management representation letter (continued)

### Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council 's financial position, financial performance and cash flows.

### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no undisclosed contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.



# Appendix A: Draft management representation letter (continued)

### Fraud and error

I acknowledge my responsibility as Deputy Chief Executive & City Treasurer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

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

### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.



# Appendix A: Draft management representation letter (continued)

### Other matters

- I confirm that the Council has carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.
- I confirm that the Council has carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.
- I confirm that the Council has carried out an assessment of the potential impact on the Council of the on-going global banking challenges, in particular whether there is any impact on the Council's ability to continue as a going concern and on the post balance sheet events disclosures. In this regard I confirm that our exposure with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation is not material.

### Going concern

To the best of my knowledge there is nothing to indicate that the Council and the Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in the Appendix to this letter.

Yours faithfully

Carol Culley

Deputy Chief Executive & City Treasurer





# Appendix B: Draft audit report

The draft audit report will be included at the conclusion of the audit



# Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



# Appendix D: Other communications

| Other communication                         | Response  |
|---|---|
| <b>Compliance with Laws and Regulations</b> | <p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>  |
| <b>External confirmations</b>               | <p>We did not experience any issues with respect to obtaining external confirmations.</p>   |
| <b>Related parties</b>                      | <p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ul>   |
| <b>Going Concern</b>                        | <p>We have not identified any evidence to cause us to disagree with the Deputy Chief Executive &amp; City Treasurer that Manchester City Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p> |



# Appendix D: Other communications

| Other communication                    | Response  |
|--|---|
| <p><b>Subsequent events</b></p>        | <p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>   |
| <p><b>Matters related to fraud</b></p> | <p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit Committee, confirming that</p> <ul style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:               <ul style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ul> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ul> |



## Mazars

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.