



Audit Progress Report

Manchester City Council – year ended 31 March 2023

For the 23rd July Audit Committee

Members of the Audit Committee

Manchester City Council

Town Hall

Manchester

M60 2LA

Forvis Mazars
One St Peters Square
Manchester
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15 July 2024

Dear Committee Members,

Audit Progress Report – Year ended 31 March 2023

We are pleased to present our audit progress report on the Council's statement of accounts for the year ended 31 March 2023. The purpose of this document is to summarise the progress of our audit to date, challenges encountered and to provide an early indication of matters we are likely to report during completion of the audit.

Section 1 of this report details the progress of our financial audit work to date since we presented our Audit Completion Report to this committee in April 2024. This section also details the misstatements identified to date. We confirm that there are no changes to our audit approach and there are we have identified no new audit risks.

Appendix A provides an update on the audit fees for 2021/22 and 2022/23.

You may also be aware that on 1st June 2024, Mazars formed a new global network with the US firm Forvis. We have since rebranded as Forvis Mazars. Whilst operating under a new brand; your team, our values and the services that we offer are unchanged. We want to highlight that all our reports and outputs moving forward will use this new brand and the audit report will be signed as Forvis Mazars.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 07977 261 873.

Yours faithfully,



Suresh Patel
Forvis Mazars LLP

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Financial audit update

Financial audit update

Key data requests

The table below outlines progress against the audit areas of work outstanding as per our audit completion report presented to the Audit Committee in April.

Audit area	Description of the outstanding matters as at April Audit Committee	Update on the outstanding matter as at July Audit Committee
Operating Expenditure	We are working through expenditure cut-off sample testing.	Work in this area is now complete. Following completion of our work we identified errors within our expenditure cut-off sample testing, details of these errors are reported on page 7.
Cash in hand	We are awaiting a cash in hand download to conclude our work in this area.	Work in this area is now complete. There are no further matters to bring to the attention of the Committee from completion of our work.
PFI	We have raised several queries in relation to the accounting treatment of the PFI schemes. We are working with officers to resolve the queries.	Work in this area is now complete and we have reported adjustments on pages 6 and 7.
IT General Controls	We are finalising our work on the IT General Controls around the SAP system. The Council provided the requested information on 7 March 2024.	Work in this area is now complete and we have no control deficiencies to report. We have however, discussed with management areas for improvement within the Council's IT policies.
Group Accounts consolidation	We have challenged the method used by the Council to prepare its consolidated group accounts. We also identified an entity that should have been consolidated. The Council are working on their response.	The Council have obtained and assessed some external expert advice on the consolidation of the Manchester Airport Group. We are currently completing our evaluation of the revised approach. We are awaiting the final revised group accounts from the Council.
Value for money	We are awaiting the Council's value for money self-assessment.	We received the Council's completed self-assessment on 20 June, we are working through the responses and will report back to the Committee on completion of our value for money work.
Final review procedures	Final review of audit work by the Manager, Partner and Engagement Quality Reviewer.	Final reviews are still in progress.
Financial statements, AGS and Letter of Representation	We will complete our final review of the financial statements and annual governance statement upon receipt of the signed version of the accounts and letter of representation.	We will complete our final review of the financial statements and annual governance statement upon receipt of the signed version of the accounts and letter of representation.

Summary of misstatements

This section outlines the misstatements we have identified to date, above the trivial threshold for adjustment of £1,095k. The first 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 second table outlines the misstatements that have been adjusted by management during the course of the audit.

For completeness we have included all identified misstatements in this report, including misstatements which have already been reported to this committee in April 2024.

Unadjusted misstatements

As part of the 2021/22 audit we reported an unadjusted misstatement of £1,905k which related to 2022/23 expenditure which had incorrectly been accounted for in the 2021/22 financial year. Therefore, the gross expenditure 2022/23 Comprehensive Income and Expenditure Statement is understated by £1,905k, the general fund balance as at 31/03/2023 is not impacted by this misstatement.

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of unadjusted misstatement
1	Debit: Net Pensions Asset			9,086		The auditor of the Greater Manchester Pension Fund identified an unadjusted error in the valuation of pension fund assets of £70m. £9m is the estimate of the Council's share of this error.
1	Credit: Pensions Reserve				(9,086)	
2	Debit: Assets Held for Sale			6,937		As part of our sample testing of disposals we identified that the Council had accounted for an asset as being disposed of, but the Council still owned the asset as at 31 March 2023. Because we identified this error in our sample testing, in line with our approach, we extrapolated the known error of £1,088k over the remaining untested disposals.
	Credit: Gains/Losses on disposal of non-current assets		(2,834)			
2	Credit: Unusable Reserves: Capital Adjustment Account				(4,103)	
	Continued overleaf					

Summary of misstatements

Unadjusted misstatements continued

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of unadjusted misstatement
3	Debit: Expenditure	6,160				As part of our expenditure cut-off sample testing of we identified errors whereby three sample items of expenditure with a total value of £132,667 had been accounted for in the wrong financial year. Because we identified these errors in our sample testing, in line with our approach, we extrapolated the known error of £132k over the remaining untested balance.
1	Credit: Accruals				(6,160)	
4	Debit: Revaluation Reserve			2,162		As part of our audit review of the Council's PFI models we challenged the Council on why the Brunswick PFI model did not include any PFI lifecycle costs, upon investigation by the Council the lifecycle costs had not been correctly accounted for. The PFI model has been revised to correctly classify the cumulative PFI lifecycle costs.
	Debit: Unusable Reserves: Capital Adjustment Account			220		
2	Credit: PFI Liability				(2,382)	
	Total unadjusted misstatements	6,160	(2,834)	18,405	(21,731)	

There are corresponding errors in the Cash Flow Statement (Cash Flows from investing activities) and the Movement in Reserves Statement (adjustments between accounting and funding basis).

Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of adjusted misstatement
1	Debit: Net Pensions Asset			272,947		The Council obtained a revised pensions asset ceiling calculation from the pension fund actuary Hymans Robertson during the course of the audit, this adjustment reflects the revised asset ceiling position.
1	Credit: Pensions Reserves		(272,947)			
2	Debit: Long-Term Debtors			2,620		This adjustment was identified by the client. The adjustment relates to the Council's Equity Share Assistance scheme. The adjusting journals correct the valuation of the debtor as at 31 March 2023.
2	Credit: Unusable Reserves: Deferred Capital Receipts Reserve				(2,620)	
	Total unadjusted misstatements	-	(272,947)	275,567	(2,620)	

There are corresponding errors in the Cash Flow Statement (Cash Flows from investing activities) and the Movement in Reserves Statement (adjustments between accounting and funding basis). These have also been adjusted for, along with any disclosure notes impacted.

The adjustments disclosed above have also been reflected in the group accounts.

Disclosure amendments

In addition to the disclosure amendments reported in our Audit Completion Report in April 2024, we have also identified the following adjustments during our audit that have been corrected by management:

- Note 11 Private Finance Initiatives and Service Concessions – Additional narrative to be added to the scheme details for the Temple School PFI scheme.
- Accounting Policy 5.2.5 Private Finance Initiatives (PFIs) and Similar Contracts – Policy to be updated to detail the actual treatment of lifecycle costs.

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Appendices

Audit fees

Fees for audit and other services

Fees for work as the Council's appointed auditor

We report below our initial consideration of additional fees based on our experience of auditing the Council over the last 3 years and changes in auditing requirements and the audit risks associated with the Council's and Group statement of accounts. We will discuss and agree additional fees with management during the audit.

Area of work	2022/23 Proposed Fee	2021/22 Actual Fee*
Code Audit Work – Scale fee	£159,519	£159,519
Additional fees:		
Recurrent scope changes: Additional testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes	£50,000	£48,000
Enhanced auditor reporting	£6,000	£5,625
VFM (Code changes)	£12,500	£12,500
Group audit	£20-40,000	£20,000
Specific accounting and quality issues	£20-40,000	£30,000
Revised ISA 315	£10,000	-
Total fees	TBC	£275,644

*the 2021/22 additional fee has now been approved by PSAA.

Fees for non-PSAA work

We have not been separately engaged by the Council to carry out additional work to the PSAA appointed work.

Contact

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