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AUDIT PANEL

Day: Tuesday
Date: 30 May 2017
Time: 2.00 pm
Place: Conference Room - Guardsman Tony Downes House,
Manchester Road, Droylsden, M34 6SF

| Item No. | AGENDA | Page No |
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| 1. | APOLOGIES FOR ABSENCE To receive any apologies for the meeting from Members of the Panel. | |
| 2. | DECLARATIONS OF INTEREST To receive any declarations of interest from Members of the Panel. | |
| 3. | MINUTES The Minutes of the meeting of the Audit Panel held on 7 March 2017 to be signed by the Chair as a correct record. | 1 - 4 |
| 4. | ACCOUNTING POLICIES AND ESTIMATES FOR 2016/17 ACCOUNTS To consider a report of the Assistant Executive Director (Finance). | 5 - 26 |
| 5. | AUDIT PLAN To consider a report of the Assistant Executive Director (Finance). | 27 - 66 |
| 6. | AUDIT FEE LETTER To consider a report of the Assistant Executive Director (Finance). | 67 - 74 |
| 7. | GMPF STATEMENT OF ACCOUNTS 2016-2017 GOVERNANCE ARRANGEMENTS To consider a report of the Assistant Director of Pensions (Local Investments and Property). | 75 - 78 |
| 8. | REVIEW OF INTERNAL AUDIT 2016/2017 To consider a report of the Assistant Executive Director (Finance). | 79 - 108 |
| 9. | RISK MANAGEMENT AND AUDIT SERVICES - ANNUAL REPORT 2016/2017 To consider a report of the Head of Risk Management and Audit Services. | 109 - 122 |

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Charlotte Forrest, Senior Democratic Services Officer on 0161 342 2346 or charlotte.forrest@tameside.gov.uk, to whom any apologies for absence should be notified.

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| 10. | ANNUAL GOVERNANCE REPORT 2016/17 To consider a report of the Assistant Executive Director (Finance). | 123 - 166 |
| 11. | RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2017/2018 To consider a report of the Assistant Executive Director (Finance). | 167 - 206 |
| 12. | URGENT ITEMS To consider any additional items the Chair is of the opinion shall be dealt with as a matter of urgency. | |

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Charlotte Forrest, Senior Democratic Services Officer on 0161 342 2346 or charlotte.forrest@tameside.gov.uk, to whom any apologies for absence should be notified.

AUDIT PANEL

Tuesday, 7 March 2017

Commenced: 2.00 pm

Terminated: 2.30 pm

Present: Councillors Ricci (Chair), Buckley, Fairfoull, J Fitzpatrick, Peet and Ryan

In Attendance:

| | |
|----------------|--|
| Sandra Stewart | Executive Director of Governance, Resources and Pensions |
| Ian Duncan | Assistant Executive Director - Finance |
| Wendy Poole | Head of Risk Management and Audit Services |

Apologies for Absence: Councillors Bailey and K Welsh

9. DECLARATIONS OF INTEREST

There were no declarations of interest.

10. MINUTES

The Minutes of the proceedings of the meeting of the Audit Panel on 1 November 2016 were agreed and signed as a correct record.

11. GRANT CERTIFICATION REPORT

The Assistant Executive Director (Finance) submitted a report, which set out the Grant Certification Report for 2015-16. The report gave details of one certified claim (Housing Benefit Subsidy) for the financial year 2015-16 relating to expenditure of £88.9 million.

The report summarised Grant Thornton's overall assessment of the Council's management arrangements in respect of the certification process. A small number of issues had been identified during the process, which had been reviewed and amended accordingly and Grant Thornton had reported their findings to the Department for Work and Pensions. The certification process had been positive and the small amendment that had been required on a complicated claim subsidy was testament to the hard work of the staff involved.

Details of the Certification fees were also appended to the report. It was confirmed that the indicative fee for 2015/16 was based on the final 2013/14 certification fees that reflected the amount of work required by the auditor to certify the Housing Benefit Subsidy Claim from that year. The indicative scale fee charged to the Council was set by Public Sector Audit Appointments Limited.

RESOLVED:

That the report be noted.

12. RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES

Consideration was given to a report of the Assistant Executive Director (Finance) and Head of Risk Management and Audit Services detailing the work undertaken by the Risk Management and Internal Audit Service between April 2016 and 3 February 2017.

The following areas of work undertaken by Risk Management and the Internal Audit Service were reported as follows.

Risk Management and Insurance – the key priorities for 2016/17 were detailed as follows:-

- To review the risk management system and facilitate the delivery of risk workshops for managers to enable risk registers to be updated.
- To facilitate the continued implementation of the Information Governance Framework by:-
 - Providing advice and guidance in relation to information governance;
 - Keeping the framework up to date and fit for purpose with any new guidance issued by the Information Commissioners Office;
 - Delivering and monitoring training for general users and for staff in high risk areas.
- To review the Business Continuity Management system in place to streamline the process to create a management tool that was workable, with a capability to provide knowledge and information should a major incident occur.
- To continue to support managers to assess their risks as services were redesigned to ensure that changes to systems and procedures remained robust and resilient offering cost effective mitigation and that claims for compensation could be successfully repudiated and defended should litigation occur.

Panel Members were notified that work during the period had concentrated on the insurance function. The Information Governance Group had met twice during the period and, with the support of the Senior Management Team, an Information Champions Group would be created and facilitated by Risk/Insurance and Legal. The aim of the group would be to help disseminate best practice within directorates and assist with preparations for the introduction of the General Data Protection Regulations 2018, which would introduce more stringent controls in relation to data protection.

With regard to Internal Audit, reference was made to the Audit Plan, which had been approved in May 2016 and covered the period April 2016 to March 2017. The plan was reactive to the needs of the Council and additional items had been requested during the year due to changes in circumstances or new risks being identified. An update on progress against the plan at 3 February 2017 was provided. It was reported that 77% of the revised audit plan had been achieved so far. It was explained that a detailed review of the audit plan had been undertaken in conjunction with senior management to ensure that the plan was still relevant and met with available resources within the team.

During the four month period to 3 February 2017, seven final reports had been issued in relation to systems, risk and managed audits and eight draft reports had been issued for management review and responses. Nine school audits and one draft review were completed during the period, which was an improvement on 2015/16. In addition, 11 Post Audit Reviews had been completed taking the total for the year to 19 and a further 18 Post Audit Reviews were in progress.

It was reported that the planning process for 2017/18 was underway and the draft plan would be presented to the next meeting of the Panel. All audits were risk assessed taking into account the duration since the last audit. Therefore any audits that had been rescheduled from 2016/17 would feature in the risk assessment.

It was further reported that the review of Internal Audit against the Public Sector Internal Auditing Standards highlighted that the service was fully compliant with the requirements of the standard. In line with Standard 1312, which stated that each organisation's internal audit service was subject to an external assessment "once every five years by a qualified, independent assessor or assessment team from outside the organisation". The service would be assessed during 2017/18, using the Peer Review Methodology designed by the North West Chief Audit Executive Group. A date later in the year had been requested as the Audit Management System needed to be upgraded and the revised processes introduced needed to be embedded before the review was undertaken.

The Panel were advised that with regards to Procurement of External Auditors - Local Audit and Accountability Act 2014, a report had been presented to the Joint Executive Cabinet/Audit Panel

Meeting on 8 February 2017 and ratified at Council on 28 February 2017, which recommended that the Council opted into the Sector Led option for the procurement of external auditors being managed by Public Sector Audit Appointments Limited. The Panel were informed that confirmation had been received from Public Sector Audit Appointments Limited that the Council had been accepted as part of this arrangement.

An update was given on the four annual governance statement development areas concerning the ongoing level of change across the organisation, the move towards an Integrated Care Organisation, Vision Tameside and Greater Manchester Pension Fund Pooling. An update was also provided on work undertaken on NAFN Data and Intelligence Services.

With regard to Irregularities/Counter Fraud Work a summary of cases, which had been investigated during the period April 2016 to February 2017 was provided. In total, 24 cases had been received with 16 still under investigation. Members requested that for future reporting the table contained within the report should include a column detailing the fraud amount and the amount recovered.

Panel Members asked if all of the Audit Plan would be completed by March 2017. The Head of Risk Management and Audit Services advised that it was a priority for the team and resources had been allocated to try and achieve 100% of the Plan. Panel Members commented that, with regard to Table 4 - Final Reports Schools, the result was good and asked what actions had been taken to achieve the improvement. It was confirmed that a newsletter was sent to schools advising them of how to compensate for issues but the result could also be attributed to the growing trend of schools becoming academies.

RESOLVED:

That the report and performance of the Service Unit for the period April 2016 to 3 February 2017 be noted.

13. PUBLIC FINANCE AND ACCOUNTABILITY – FRAUD AND CORRUPTION TRACKER

Consideration was given to a report of the Assistant Executive Director (Finance) and Head of Risk Management and Audit Services, which advised Members of the report produced by the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre – Fraud and Corruption Tracker 2016.

It was reported that the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre was launched in July 2014 and led and coordinated the fight against fraud and corruption across public services by providing a one-stop-shop for thought leadership, counter fraud tools, resources and training. An annual survey was carried out across a host of public sector organisations, including local authorities, police and crime commissioners, transport authorities, fire and rescue authorities, waste authorities and public agencies.

The report detailed the nationwide results of the 2015/16 survey. Details of the type of fraud along with the number of cases, values and percentage of the total were provided. For Tameside the number of frauds dealt with was low and because of the nature of investigations and the definition of “Detected Fraud” very little was reported in the survey. Although the survey did not capture emerging trends Procurement Fraud, Right to Buy Fraud and Business Rates Fraud was increasing. Personal Budgets and Direct Payment frauds decreased in 2015/16 compared to 2014/15 results and respondents identified Council Tax; Housing; Procurement; Adult Social Care; and Housing Benefit as the highest risk areas for their organisations.

As a result of the survey the Chartered Institute of Public Finance and Accountancy had made the following recommendations:-

- Public sector organisations should carry out fraud assessments regularly and have access to appropriately qualified counter fraud resources to help mitigate the risks and effectively counter any fraud activity.

- All organisations should undertake an assessment of their current counter fraud arrangements.
- In line with the Fighting Fraud and Corruption Locally Board suggestion, local authorities should examine and devise a standard and common methodology for measuring fraud and corruption. Once it has been agreed, local authorities should use the measure to estimate levels of fraud and corruption.
- It is as important to prevent fraud that has no direct financial interest, such as data manipulation and recruitment, as it is high value fraud.
- Organisations should develop joint working arrangements where they can with other counter fraud professionals and organisations.
- Public bodies should continue to raise fraud awareness in the procurement process, not only in the tendering process but also in the contract monitoring element.
- Authorities should ensure that anti-fraud measures within their own insurance claims processes are fit for purpose and that there is a clear route for investigations into alleged frauds to be undertaken.

Members requested a comparison to neighbouring authorities. They were advised that a benchmarking request would be made at a future Greater Manchester Audit Group and reported back to the Panel. Panel Members asked how much of the fraud could be recovered. They were advised that £300,000 Council Tax fraud would be recovered via adjustments to the billing process, £102,000 relating to procurement was in the process of being recovered through Proceeds of Crime hearing, £25,000 Children's Social Care had been invoiced and £116,000 Adult Social Care would be dependent upon individual's assets.

RESOLVED:



That the report be noted.

14. URGENT ITEMS

There were no urgent items.

CHAIR

Agenda Item 4.

| | |
|---|---|
| Report To: | AUDIT PANEL |
| Date: | 30 May 2017 |
| Reporting Officer: | Ian Duncan, Assistant Executive Director (Finance) |
| Subject: | ACCOUNTING POLICIES AND ESTIMATES FOR 2016/17 ACCOUNTS |
| Report Summary: | <p>As part of the preparation for the closure of the accounts, it is timely to review with the Panel:-</p> <ul style="list-style-type: none">• the proposed accounting policies• the critical judgements made in applying the accounting policies• assumptions made about the future and other major sources of estimated uncertainty within the accounts |
| Recommendations: | The Panel is requested to agree the recommendations included in section 5 of the report, subject to discussion. |
| Links to Community Strategy: | The community strategy helps determine the priorities for Council spending, which will be reported using the policies referred to in this report. |
| Policy Implications: | There are no wider policy implications arising from this report. |
| Financial Implications: (Authorised by Section 151 Officer) | There are no direct cost implications arising from this report. |
| Legal Implications: (Authorised by Borough Solicitor) | The Council has a statutory duty to provide annual accounts – this report sets out requirements that the Council needs to comply with together with an explanation as to how certain matters are to be treated in the accounts. |
| Risk Management: | The accounting policies will help to reduce the risk of error or misstatement within the Council's accounts by ensuring a clear framework for financial reporting, consistent with guidance. |
| Access to Information | <p>The background papers relating to this report and any further information can be obtained from the report writer, Ian Duncan, Assistant Executive Director (Finance)</p> <p> Telephone: 0161 342 3864</p> <p> e-mail: ian.duncan@tameside.gov.uk</p> |

1. INTRODUCTION

- 1.1 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements. The accounting policies themselves are published within the Statement of Accounts in accordance with International Financial Reporting Standards, as adopted by the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting ('the Code').
- 1.2 The approval of the accounting policies to be applied by the Council demonstrates that due consideration is being given to which policies to adopt and apply and that those charged with corporate governance are fully informed of the policies that are being adopted, prior to the commencement of the preparation of the Statement of Accounts.
- 1.3 The accounts of the Greater Manchester Pension Fund are included within the Council's Statement of Accounts document each year. However, it should be noted that this report is in relation to the Council only and that the accounting policies and estimates of the Greater Manchester Pension Fund are approved elsewhere.
- 1.4 The critical judgements made in applying accounting policies as well as the assumptions made about the future and other major sources of estimated uncertainty also need to be reviewed by the Panel and agreed.
- 1.5 As per the practice adopted in previous years, the Panel are requested to endorse the use of the policies underpinning the financial statements within the Statement of Accounts.

2. ACCOUNTING POLICIES – UPDATE TO THE 2015/16 CODE OF PRACTICE

- 2.1 Officers have assessed the accounting policies that are deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2016/17. In undertaking this assessment a review of all accounting policies previously agreed has been undertaken to check their relevance, clarity, legislative compliance and that they are in accordance with the latest version of 'the Code' and International Financial Reporting Standards requirements.
- 2.2 The accounting policies, as based on the requirements of 'the Code' and relevant financial standards, will be used to produce the financial statements for 2016/17 and can be seen at **Appendix 1** to this report.
- 2.3 As the Statement of Accounts for 2016/17 is prepared it may be necessary to amend an accounting policy in order to adopt a more appropriate accounting treatment. If this occurs the change and the reason for the change will be reported back to the Audit Panel prior to the publication of the Statement of Accounts.

3. ADOPTION OF THE ACCOUNTING POLICIES

- 3.1 This report sets out the accounting policies, which it is proposed to adopt in respect of the 2016/17 Statement of Accounts for consideration by the Audit Panel. Given that the policies adopted have a significant influence upon the financial statements it is important that these are given appropriate consideration at the outset of the preparation of the Statement of Accounts. This helps ensure that they are applied consistently in the preparation of the accounts.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES, ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATED UNCERTAINTY

4.1 The following are significant management judgements in applying the accounting policies of the Council when preparing the accounts, as well as a description of the major sources of estimated uncertainty within the accounts.

Accounting for schools – Balance Sheet recognition of schools

4.2 The Council recognises schools in line with the provisions of ‘the Code’; consequently schools are recognised on the Balance Sheet only if the future economic benefits or service potential associated with the school will flow to the Council. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to appoint the employees of the school and is able to set the admission criteria.

4.3 There are currently five types of schools within the borough:-

- Community schools
- Voluntary Controlled schools
- Voluntary Aided schools
- Foundation/Trust schools
- Academies

4.4 Employees at community schools are appointed by the Council and the Council sets the admission criteria. These schools are therefore recognised on the Council’s Balance Sheet.

4.5 In order to comply with the Code of Practice on Local Authority Accounting, the Council wrote to each of the diocese who occupy schools within the borough of Tameside in order to establish the accounting arrangements.

4.6 Diocese of Salford, The Church of England Diocese of Chester, The Church of England Diocese of Manchester and Diocese of Shrewsbury have all responded in writing to confirm that the schools occupy the school premises under the direction of the trustees and that the legal ownership resides with the religious body. The Council has also had confirmation that the religious bodies referred to above account for the school buildings within their Balance Sheets.

4.7 The legal ownership of Voluntary Controlled school buildings belong to a charity, normally a religious body, therefore the Council does not recognise these non-current assets on the Balance Sheet. However, the adjoining school playing fields remain in Council ownership and are therefore included on the Council’s Balance Sheet.

4.8 Foundation Trust, Voluntary Aided and Academy school employees are appointed by the schools’ governing body, which also set the admission criteria. As a consequence the Council does not receive the economic benefit or service potential of these schools and does not recognise them on the Council’s Balance Sheet. However, the playing fields surrounding Voluntary Aided schools remain in Council ownership and are therefore included on the Council’s Balance Sheet.

Accounting for schools - Transfers to Academy status

4.9 When a school that is held on the Council’s Balance Sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration on the date that the school converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced.

4.10 Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council charges the cost of construction against Assets Under Construction (part of Property, Plant and Equipment), whilst the Academy is constructed.

Once the construction is complete the asset is transferred to Property, Plant and Equipment on the date of transfer to Academy status. The Council accounts for this as a disposal for nil consideration.

Investment Properties

- 4.11 Investment Properties have been estimated using the identifiable criteria under 'the Code' of being held for rental income or for capital appreciation. These Investment Properties have been assessed using these criteria, which is subject to interpretation.

Property, Plant and Equipment

- 4.12 An asset is depreciated over a useful life that is dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual asset. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful life assigned to assets. If the useful life of an asset is reduced, the depreciation charge increases and the carrying amount of the asset falls.

- 4.13 An important estimation contained in the accounts is that of the useful economic life of non-current assets (or useful remaining economic life where assets are revalued). This is important as it determines the depreciation charge posted to the Comprehensive Income and Expenditure Statement.

- Property may have a remaining useful life of between 2 and 70 years and the exact amount is determined for each property by chartered surveyors, not less than once every 5 years.
- Infrastructure assets (such as roads) are depreciated over 40 years from the date of capitalisation.
- Investment properties are not depreciated, in line with guidance but are revalued each year.
- Surplus assets are not depreciated as the Council's policy is to revalue them each year.
- Other non-current assets (such as vehicles, plant and equipment) are depreciated over 10 years or less.
- Specific assets may be valued more frequently depending on the wider economic context, particularly if it is expected that there has been a material reduction in their value during the year.

- 4.14 Depreciation could also be calculated by adopting a fixed policy regarding economic life for each identified class of asset. However, it has been determined by the Council that a 'catch-all' policy cannot be as accurate as the case-by-case review that is employed, because of the wide variety of assets held.

Business Rates

- 4.15 Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for the cost of successful appeals against business rates charged to businesses in their proportionate share. Appeals are managed by the Valuation Office on a case by case basis. The Council cannot be fully aware, at all times, of all changes to businesses and to business premises, and it is the responsibility of the individual business to seek adjustments for their business rates bill where this is appropriate. Therefore, a provision is recognised in the accounts for the best estimate of the possible liability to the Council for business rates appeals, to 31 March 2017. This is calculated using the Valuation Office's latest list of appeals, which includes information on the average levels of successful and unsuccessful claims.

Debt Impairment

- 4.16 All debts due to the Council are regarded as collectible, unless firm evidence transpires that they are uncollectible and so are 'bad' debts. However, some debts, which are proving difficult to collect, may be properly termed 'doubtful'. The Council has included an

impairment allowance for doubtful debts in the accounts based on a review of the Council's significant short term debtor balances. In the current economic climate it is not certain that the impairment allowance for doubtful debts would be sufficient. If collection rates were to deteriorate an increase in the impairment allowance would be required.

Leases

- 4.17 The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In assessing leases the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

PFI and similar arrangements

- 4.18 PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing PFI leases the Council has estimated the implied interest rate within the leases to calculate interest and principal payments. In addition the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.

Funding

- 4.19 There remains uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Provisions

- 4.20 The Council has estimated its short term insurance provision value, based on reviewing the results of the 2015/16 actuarial review and projecting for the current year. Actuarial reviews will be commissioned every 3 years.

Pensions Fund Liability

- 4.21 The estimation of the Pension Fund liability depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.
- 4.22 The estimation of the defined benefit obligations is sensitive to the actuarial assumptions. The sensitivity analysis below is based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change significantly from those used in 2015/16.

Manchester Airports Group

- 4.23 The Council's shareholding in Manchester Airports Group is valued using the earning based method and discounted cash flow method resulting in the asset being valued at fair value rather than historic cost, therefore requiring an annual valuation. A firm of financial experts and valuers have been engaged by the nine minority local authority shareholders to provide an independent valuation, which includes reviewing the financial performance, stability and business assumptions of Manchester Airports Group. The valuation provided is based on

estimations and assumptions and therefore should the Council sell its shareholding the value held in these statements may not be realised.

Housing Benefit Subsidy

- 4.24 Assumptions contained within the accounts include the final level of housing benefit subsidy grant receivable (included in the Comprehensive Income and Expenditure Statement). The amount will not be finalised until the 30 November 2017 when the auditor-certified claim is submitted and so the amount included in the accounts could differ.

Reserves

- 4.25 A number of assumptions are made regarding the required level of Council reserves. The Government has previously criticised the level of reserves held by councils as being too high. However, the professional consensus is that reserves are more necessary in times of greater risk and uncertainty.
- 4.26 The level of financial risk being faced by the Council continues to increase. Reserves provide a way for the Council to ensure that any unforeseen financial impacts can be absorbed without immediately impacting on frontline service delivery. Currently, potential impacts may arise from a number of sources (see Section 5 for more details), including:-
- The further significant loss of Government funding.
 - Significant changes to local government responsibilities and the unknown impact of these (e.g. Care Act, Universal Credit, further responsibilities associated with full devolution of business rates).
 - Other cost pressures or national policy changes e.g. the impact of an ageing population and pressures within the local health economy.
 - Delays in securing further, significant, ongoing savings targets.
 - Volatility of the Business Rates base.
 - Potential legal judgements and the confirmation of obligations that led the Council to recognise contingent liabilities in the Statement of Accounts.
- 4.27 These and other factors must be borne in mind when estimating the required level of reserves and the anticipated profile of use.
- 4.28 Reserves can also be held for specific purposes such as the delivery of Council plans and priorities, to smooth out volatile movements in expenditure (e.g. levies, winter maintenance) and investment in the Council's fixed assets (e.g. highway network, property portfolio).

Minimum Revenue Provision

- 4.29 The Council has adopted the following policy in relation to calculating the Minimum Revenue Provision:-
- Borrowing taken up prior to 01/04/2015 will be provided for using a straight-line method of calculating Minimum Revenue Provision. It will be provided for in equal instalments over 50 years. The debt will be extinguished in full by 31 March 2065. If the Council elects to make additional voluntary Minimum Revenue Provision then the annual charge will be adjusted accordingly.
 - The following will be required in relation to borrowing taken up on or after 01/04/2015. Minimum Revenue Provision is to be provided for based upon the average expected useful life of the assets funded by borrowing in the previous year. The debt will be repaid on a straight-line basis over the average useful life calculated; the debt will be fully extinguished at the end of period.
 - For certain investment projects it may be deemed more prudent to use the asset life annuity method in order to calculate Minimum Revenue Provision. In this case the Council will use the annuity method, with the Minimum Revenue Provision based on the prevailing Public Works Loan Board rate for a loan with a term equal to the estimated life of the project.

5. RECOMMENDATIONS

5.1 The Panel is asked to:-

- approve the accounting policies detailed at **Appendix 1** to this report;
- note the critical judgements and major sources of estimated uncertainties included within the Statement of Accounts and the impact of alternative estimation bases being used.

APPENDIX 1

AMENDED STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES FROM 1 APRIL 2016

This document outlines how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2016/17 financial year.

The Accounting Policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable. A Glossary of Terms can be found at the end of this document.

1. Accounting Principles

a) Going Concern

The Council prepares its accounts on the basis that it remains a going concern; that is that there is the assumption that the functions of the Council will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Council would still account on the basis of going concern as the provision of services would continue in another Council.

b) Accruals Concept

The Council accounts for income and expenditure in the period to which the service has taken place, rather than when cash payments are received or made.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet.

c) Cost of Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SERCOP) for Local Authorities 2016/17.

All recharges of support service costs are consistent with the principles outlined in the SERCOP. The total absorption costing principle is used. This means the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:-

- Corporate and Democratic Core costs (as these relate to the Council's status as a multi-functional, democratic organisation).
- Non-Distributed costs (as these are the costs of discretionary benefits awarded to employees retiring early).

These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

d) Value Added Tax (VAT)

Income and expenditure transactions exclude any amounts relating to VAT as currently all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

e) Changes in Accounting Policy

Where there is a known future change in accounting policy required by the CIPFA Code, the Council will disclose the following in the notes to the accounts:-

- The nature of the change in accounting policy;
- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The Council will also disclose information relating to an accounting standard which has been issued but not yet adopted.

f) Previous Year Adjustments

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the Council's financial position or financial performance.

Where a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by way of a prior period adjustment and an appropriate disclosure in the notes to the accounts.

A change to the accounting policy may also require that the basis of estimates is changed. This will be disclosed in accordance with the policy on changes to accounting estimates.

g) Events after the Balance Sheet Date

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. This date and who gave that authorisation is disclosed in the notes to the accounts, including confirmation that this is the date up to which events after the Balance Sheet date have been considered.

Where a material event is identified after the Balance Sheet date, whether favourable or unfavourable, for which it can be shown that the conditions already existed at the Balance Sheet date, it is an adjusting event and the amounts in the accounts would be adjusted accordingly.

However, where a material event is identified which occurred after the Balance Sheet date but it cannot be shown that the conditions existed before the Balance Sheet date, then it is a non-adjusting event and the accounts would not be adjusted (although a disclosure would be made in the notes to the accounts).

h) Exceptional and Extraordinary Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

i) Contingent Assets and Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

2. CAPITAL ACCOUNTING

a) Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure on the acquisition of an asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, should be capitalised, provided that it yields benefits to the Council and the services it provides for a period of more than one year.

Capital expenditure includes:-

- the acquisition, reclamation, enhancement or laying out of land;
- acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

In this context, enhancement means works which are intended to:-

- Lengthen substantially the useful life of the asset, or
- Increase substantially the market value of the asset, or
- Increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the Council.

Under this definition, improvement works and structural repairs should be capitalised, whereas expenditure to ensure that the non-current asset maintains its previously assessed standard of performance should be recognised in the revenue account as it is incurred.

A de minimis level of £1,000 has been adopted by the Council in relation to capital expenditure.

b) Measurement

Initially the assets are measured at cost, comprising the purchase price, plus any costs associated with bringing the asset into use. The measurement of an operational asset acquired other than through purchase is deemed to be its current value. The Code requires that non-operational property, plant and equipment classified as surplus assets are measured at fair value.

In accordance with 'the Code', Property, Plant and Equipment is further classified as:-

- Other Land and Buildings *
- Infrastructure assets
- Vehicles, Plant and Equipment
- Community Assets
- Assets under Construction
- Surplus Assets

Each of these asset classifications are valued on the base recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS), as follows:-

- Infrastructure, Community Assets and Assets Under Construction – depreciated historical cost (DRC)
- Other assets (excluding non-operational property) – current value, determined as the amount that would be paid for the asset in its existing use (EUV)
- Surplus assets (non-operational property, plant and equipment) – fair value

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets (such as Vehicles, Plant and Equipment) have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

*These asset categories are revalued on a five year rolling cycle. The programme of revaluations is continuing on this cyclical basis although values of those assets falling between scheduled valuation dates are reviewed annually to ensure that any material changes to asset valuations is adjusted in the interim period, as they occur. Assets where expenditure of £750,000 or above has been incurred, these are added to the preceding year's revaluation list

c) Revaluation

Revaluation of property is undertaken on at least a five year "rolling programme". A desk top valuation exercise can take place more frequently, however, if the valuer believes that market changes within the year are more significant, an interim valuation will be undertaken. Investment Properties are revalued annually to determine any material change in the carrying value.

A Revaluation Reserve for non-current assets (other than Investment Properties) is held in the Balance Sheet made up of unrealised revaluation gains relating to individual non-current assets, with movements in valuations being managed at an individual non-current asset level.

Movement in the valuation of Investment Properties are charged or credited to the Comprehensive Income Expenditure Statement. Gains arising from the revaluation of Investment Properties are not held within a revaluation reserve.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of the reserves formal implementation. Gains arising before that date were subsequently consolidated into the Capital Adjustment Account. Movements in the

valuations of non-current assets do not impact on General Fund Balances and are not a charge or credit to council tax levies.

d) Disposals

Receipts from the disposal of non-current assets are accounted for on an accruals basis. When an asset is disposed of, the value of the asset in the Balance Sheet is written out to the Comprehensive Income and Expenditure Statement, as is the disposal receipt. These amounts are not a charge or receipt to council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. The asset value written out is appropriated to the Capital Adjustment Account, the capital receipt is appropriated to the Capital Receipts Unapplied Account, via the Movement in Reserve Statement. Any revaluation gains that have accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Usable Capital Receipts have been used to finance capital expenditure based on the policy of the Council.

Academy Schools are written out of the Council's Balance Sheet at the time that they legally transfer to Academy status. The net book value of the school at the time of the transfer is charged to Other Operating Income and Expenditure within the Comprehensive Income and Expenditure Statement as a loss on disposal/derecognition.

e) Investment Properties

Investment Property is held solely to earn rental income or for capital appreciation or both. Investment Property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period. Losses or gains are recognised in the Comprehensive Income and Expenditure Statement.

f) Intangible Assets

Intangible Assets represent non-current assets that do not have physical substance, but are identifiable and are controlled by the Council through custodial or legal rights. All purchased Intangible Assets are capitalised at historical cost in line with 'the Code'.

In line with other non-current assets, their useful economic life is determined based on the length of time that the benefit will accrue to the Council. Based on the best estimate of the useful economic life, the Intangible Asset is charged to the Comprehensive Income and Expenditure Statement over this period.

g) Depreciation / Amortisation Methodology

Depreciation is provided for on all non-current assets with a finite useful life (this can be determined at the time of acquisition or revaluation) according to the following policy:-

- In accordance with the Service Reporting Code of Practice, all buildings (but not their land) are depreciated over their remaining useful lives. A land and building split has been determined by the Council's external valuers. Estimates of the useful life are determined for each property and where material for components of those properties as part of the valuation process. These estimates of economic life may vary considerably from property to property.
- Investment Properties are not depreciated, rather an annual review is undertaken of the fair carrying value. Any changes to these values are charged to the Provision of Services within the Comprehensive Income and Expenditure Statement in the period that they occur.

- Infrastructure is depreciated over a 40 year period.
- Vehicles, Plant, and Equipment is depreciated over 10 years or less depending on the nature of the asset.

Depreciation is calculated on a straight-line basis. Depreciation is not charged in the year of asset acquisition. Depreciation is charged to the Comprehensive Income and Expenditure Statement but does not impact on council tax and is written out to the Capital Adjustment Account via the Movement in Reserves Statement. Where non-current assets have been re-valued the current value depreciation will be higher than the historic cost depreciation, this increased depreciation charge is written out against the Revaluation Reserve with an offsetting entry to the Capital Adjustment Account.

h) Charges to revenue for non-current assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding non-current assets throughout the year:-

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to non-current assets used by the service in excess of the balances held in the Revaluation Reserve
- Amortisation of Intangible Assets attributable to the service

The Council does not raise council tax to cover depreciation, impairment loss or amortisations. The Council does, however, make an annual provision from revenue to reduce its borrowing requirement, (equal to approximately 2% of the Capital Financing Requirement). Depreciation, impairment losses, amortisation and gains or losses on the disposal of non-current assets are therefore written out in the Movement in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account.

i) Revenue Expenditure Funded from Capital under Statute

Revenue Expenditure Funded from Capital under Statute represents expenditure which may be properly capitalised, but which does not result in the creation of any non-current asset to the Council. In line with the guidance contained in 'the Code', this expenditure is written off to the Comprehensive Income and Expenditure Statement in the year the expenditure is incurred, because the Council does not control the economic benefits arising from this expenditure.

j) Impairment of Non-current Assets

Assets have been reviewed for any impairment loss in respect of the consumption of economic benefit (e.g. physical damage). Where an impairment loss occurs this would be charged to the service revenue account, with a corresponding entry made to reduce the value of the asset in the Balance Sheet.

To remove the impact of the impairment loss on the budget, a credit entry is made in the Movement in Reserves Statement as a charge to the Capital Adjustment Account.

Impairments reflecting a general fall in prices would be recognised in the Revaluation Reserve, up to the value of revaluation for the individual asset, and any further impairment would be treated as a consumption of economic benefit and charged to the service revenue account.

k) Capital Receipts

Capital receipts arising from the sale of non-current assets are credited to Capital Receipts

Unapplied Account.

Any capital receipts relating to the repayment of former Housing Revenue Account (HRA) mortgages (principal amounts) are subject to provisions included within the Local Government Act 2003. The Council is required to pay a specified amount from these receipts to the national pool. All other capital receipts are usable.

Usable capital receipts are shown separately in the Balance Sheet and can be used either to finance new capital investment, to repay grant received in relation to the asset disposed of, to finance the premium sum arising from the rescheduling of debt, or set aside to reduce the Council's underlying need to borrow.

l) Redemption of Debt (Minimum Revenue Provision)

Where capital expenditure has been financed by borrowing there is a provision for the repayment of debt to be made in accordance with the Minimum Revenue Provision requirements of the Local Authorities ('MRP' - as set out in Capital Financing and Accounting (Amendment) Regulations 2009).

Since 2015/16 the Council has adopted the following policy in relation to calculating the Minimum Revenue Provision

i) Borrowing taken up prior to 01/04/2015 will be provided for using a straight-line method of calculating 'MRP'. A total of £185,215,128 will be provided for in equal instalments over 50 years which will result in an annual charge of £3.704m. The debt will be extinguished in full by 31 March 2065. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.

ii) The following will be required in relation to borrowing taken up on or after 01/04/2015. 'MRP' is to be provided for based upon the average expected useful life of the assets funded by borrowing in the previous year. The debt will be repaid on a straight-line basis over the average useful life calculated; the debt will be fully extinguished at the end of period. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly

For certain investment projects it may be deemed more prudent to use the asset life annuity method in order to calculate MRP. In this case the Council will use the annuity method, with the MRP based on the prevailing PWLB interest rate for a loan with a term equal to the estimated life of the project.

For any finance leases and any on-balance sheet private finance initiative (PFI) schemes, the MRP charge will be equal to the principal repayment during the year, calculated in accordance with proper practices.

There will be no MRP charge for any cash backed Local Authority Mortgage Scheme (LAMS) that the Council operates. As for this type of scheme, any future debt liability would be met from the capital receipt arising from the deposit maturing after a five year period. Any repossession losses for this type of scheme would be charged to an LAMS reserve.

m) Capital Grants and Contributions

The Council recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions and donations are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.

Any grant received before these recognition criteria were satisfied would be held as a

creditor. Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the Accruals Concept Policy.

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement.

In order to not impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement, and makes a credit to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

n) Capital Reserves

The Council holds Capital Reserves for the purpose of financing capital expenditure. Reserves will be disclosed as either usable (available to fund capital expenditure) or unusable (reserves held as a result of timing differences associated with recognition of capital expenditure and related financing).

Movements in capital reserves are accounted through the Movement in Reserves Statement.

o) Leases

In line with IFRIC 4, the Council recognises a lease to be any agreement which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments.

This includes; leases, hire purchase, rental, contracts of service, service level agreements and any other arrangement where the ability to use an asset is conveyed.

p) Defining a Finance Lease

A finance lease is where substantially all of the risks and rewards relating to ownership transfer to the lessee.

Tests to give an indication of the transfer of risk and reward are:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset even if the title is not transferred. Measures to identify this are:
 - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
 - The Council recognises 'major part' to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Measures to identify this are:
 - Fair value of the leased asset is assessed by a RICS qualified valuer.
 - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
 - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.

- The Council recognises 'substantially all' to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Council as to whether an asset is operating or finance.

q) Defining an Operating Lease

The Council recognises an operating lease to be a lease which is not a finance lease.

r) Lessee Accounting for a Finance Lease

Where the Council is tenant in a property, or is, by definition of IFRIC 4, leasing an asset which is deemed under IAS 17 to be a finance lease the Council will recognise that asset within the asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the property, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made.

s) Lessor Accounting for a Finance Lease

Where the Council is the lessor for a finance lease, the asset is not recognised in the asset register; however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital – credited against the debtor, and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.

t) Lessor Accounting for an Operating Lease

Where the Council is the lessor for an operating lease, normally the asset is classified as an Investment Property. Any rental income is credited to the relevant service income.

u) Service Concession Agreements (Private Finance Initiative (PFI) and other similar contracts)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed against criteria within IFRIC 12 Service Concession Arrangements to determine whether the risks and rewards incidental to ownership lie with the Council or the contractor.

Those which lie with the contractor – payments made during the life of the contract are chargeable to revenue as incurred.

Those which lie with the Council – are recognised as an asset in the Balance Sheet for the

construction costs of the asset. Once recognised this asset is treated in line with all capital assets. A corresponding long term liability is also recognised at the construction value. Payments made during the life of the contract are split into finance costs, capital costs and service costs. Determining the split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement as interest payable. Capital costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments reduce the level of liability at the start of the contract.

PFI credits are treated as general revenue government grants.

3. REVENUE ACCOUNTING

a) Recognition of Revenue Expenditure

The Council recognises revenue expenditure as expenditure which is not capital.

b) Employee Costs

In accordance with IAS 19, the Council accounts for the total benefit earned by employees during the financial year.

Employee Costs are split into 3 categories; short term benefits, termination benefits and pensions costs.

Short Term Employee Benefits

- Salaries and Wages – The total salary and wages earned by employees during the financial year are charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.
- Leave Owed, Accumulating Absences – The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu.

If an employee were to leave the Council, cash payment would be made for entitlements such as annual leave; this leave is termed vesting. Where no cash payment would be due, the leave is termed non-vesting.

In order to correctly reflect the cost of time owed to staff, a charge has been made to the Comprehensive Income and Expenditure Statement and a creditor accrual has been reflected in the Balance Sheet. This charge is reflective of the estimated time cost value of all accumulating leave owed to employees. Vesting leave will be charged in full; however non-vesting leave has been adjusted to reflect the turnover of staff.

- Non-accumulating Absences – are periods of leave that cannot be carried forward for use in future periods. Examples include Maternity Leave, Special Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs.
- Non-monetary Benefits – Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service lines in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Pensions Costs

Employees of the Council are members of three separate pension schemes:-

- **Teachers Pension Scheme** is a defined benefit scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

The assets and liabilities of the Teachers Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.

- **NHS Pension Scheme** is a defined benefit scheme administered by EA Finance NHS Pensions.

The assets and liabilities of the NHS Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Public Health Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.

- **The Greater Manchester Local Government Pension Scheme**, administered by the Council, is accounted for as a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees.

Pension liabilities are measured using the projected unit method, discounted using the rate on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of "spot yields" on AA rated corporate bonds.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

1. Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

2. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
3. Net interest on the net defined benefit liability i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurement comprising:

4. The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
5. Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. Adjustments are therefore made in the Movement in Reserves Statement.

Early Retirement, Discretionary Payments

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies which are applied to the Local Government Pension Scheme.

c) Lessee Accounting for an Operating Lease

Costs associated with operating leased assets where the Council is the lessee are charged immediately to the Comprehensive Income and Expenditure Statement within the Net Cost of Services on an accruals basis.

d) Revenue Grants and Contributions

Grants, contributions and donations (referred to as grants for the purposes of this policy) are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (income in advance). Any grant which had met the recognition criteria but had not been received would be shown as a debtor.

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services. Those which are for general purpose are shown within Other Operating (Income) and Expenditure in the Comprehensive Expenditure and Income Statement.

e) Provisions

Provision has been made in the Comprehensive Income and Expenditure Statement for liabilities that have been incurred by the Council, but where the amounts or dates on which they will arise are uncertain.

Provisions are required to be recognised when the Council has a present obligation, as a result of a past event, where it is probable that an outflow of resources embodying economic benefit or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, (IAS 37 – Provisions, Contingent Liabilities and Contingent Assets).

When expenditure is incurred to which the provision relates, it is charged directly against the provision in the Balance Sheet and not against the Comprehensive Income and Expenditure Statement.

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from General Fund Balances in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an entry within the Capital Adjustment Account (CAA) created from amounts credited to the General Fund Balance in the year the provision was made or modified. The balance within the CAA will be debited back to the General Fund Balance in the Movement in Reserves Statement in future financial years as payments are made.

f) Revenue Reserves

The Council holds usable revenue reserves for the purpose of funding future expenditure. The General Fund Balance represents the balance of reserves to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Medium Term Financial Strategy. Earmarked Reserves represent balances where approval has been received to use the reserve for a specific purpose.

Unusable revenue reserves represent timing differences such as those associated with the recognition of retirement benefits, Council tax income and financial instruments.

Movement in reserves are accounted through the Movement in Reserves Statement.

g) Council Tax and Business Rates Recognition

Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement includes the Council's share of accrued income recognised by billing authorities in the production of the Collection Fund Statements.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

h) Inventories and Work in Progress

Work in progress is valued at the lower of cost (including all related overheads) or net realisable value.

No amounts are included for such items as small stores at Community Services residential

homes, or stocks at special schools and outdoor education centres as these are not regarded as having material value due to their size. It is considered that this difference in treatment (together with the exclusion of certain types of stock) does not have a material effect on the values stated.

i) Provisions for bad and doubtful debts

The Council maintains a bad debt provision for any potential non-payment of debtors at each Balance Sheet date. Assessment is made based on the risk of debtors' ability to pay future cash flows due under the contractual terms. This risk is estimated where possible based on historical loss experience, credit rating for a debtor and other impacting factors.

Provisions for bad debts are offset against the debtor amount shown as an asset, the movement in the provision is charged against the relevant service line in the Comprehensive Income and Expenditure Statement.

4. TREASURY MANAGEMENT

a) Financial Instruments

A Financial Instrument is defined as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another". Although this covers a wide range of items, the main implications are in terms of investments and borrowings.

As reflected in 'the Code', accounting standards on Financial Instruments IAS 32, 39 and IFRS 7 cover the concepts of recognition, measurement, presentation and disclosure. A financial asset or liability should be recognised in the Balance Sheet when, and only when, the holder becomes a party to the contractual provision of the instrument.

Financial liabilities and assets are initially measured at fair value less transaction costs and carried at their amortised cost. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arms length transaction. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable and receivable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings and investments of the Council, this means that the amount included in the Balance Sheet is the outstanding principal repayable plus accrued interest to the end of the financial year. Interest charged to the Comprehensive Income and Expenditure Statement is the effective amount payable for the year in the loan agreement (which is not necessarily the cash amount payable).

When long term borrowing is reviewed for rescheduling opportunities, the early repayment results in gains and losses (discounts and premiums) which are credited or debited to the Comprehensive Income and Expenditure Statement. If the Council decides to write off these gains or losses on early repurchase/settlement then this can be done over ten years or over the life of the new loan or over a shorter more prudent time scale. The Comprehensive Income and Expenditure Statement is charged with one year related costs with the rest being taken to the Financial Instruments Adjustment Account in the Balance Sheet via the Movement in Reserves Statement. The accounting policy is to charge gains and losses to Net Operating Expenditure in the year of repurchase/settlement.

b) Cash and cash equivalents

Cash equivalents are short term investments that are of a highly liquid nature. The Council has deemed that deposits held within money market funds are categorised as cash equivalents.

c) Interests in Companies and Other Entities

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint arrangements, it is required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

Chapter 9 Group Accounts of 'the Code' contains revised provisions following the issue of new IFRS standards and the amendment of related existing standards. The new provisions have effect in three main areas:

- a new definition of subsidiaries based on a remodelled control test (IFRS 10 Consolidated Financial Statements);
- new classifications for joint operations and joint ventures (IFRS 11 Joint Arrangements);
- extended and revised disclosure requirements for group accounts (IFRS 12 Disclosure of Interests in Other Entities).

Agenda Item 5.

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| Report To: | AUDIT PANEL |
| Date: | 30 May 2017 |
| Reporting Officer: | Ian Duncan – Assistant Executive Director (Finance) Stephen Nixon – Senior Manager Grant Thornton |
| Subject: | AUDIT PLAN |
| Report Summary: | Grant Thornton are responsible for performing the Council's audit, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The Audit Plan highlights the key elements of Grant Thornton's proposed audit strategy for the benefit of those charged with governance. |
| Recommendations: | That the audit plan for TMBC and GMPF be noted. |
| Links to Community Strategy: | The Sustainable Community Strategy is a key document outlining the aims of the Council and its partners to improve the borough of Tameside (agreed in consultation with local residents). |
| Policy Implications: | In line with Council Policy. |
| Financial Implications: (Authorised by the Section 151 Officer) | There are no direct financial implications as a result of this report. |
| Legal Implications: (Authorised by the Borough Solicitor) | Demonstrates the Council's compliance with the Accounts and Audit Regulations 2011. |
| Risk Management: | The audit provides external verification from an independent Organisation. |
| Access to Information: | The background papers can be obtained from the author of the report, Beverley Stephens, Finance Business Partner, Financial Management by contacting:- |



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The Audit Plan for Tameside Metropolitan Borough Council

Year ending 31 March 2017

8 March 2017

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Tameside Metropolitan Borough Council
Dukinfield Town Hall
Dukinfield
King Street
SK16 4LA

March 2017

Dear Members of the Overview (Audit) Panel

Audit Plan for Tameside Metropolitan Borough Council for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Tameside Metropolitan Borough Council, the Overview (Audit) Panel), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements; and
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

Mike Thomas

Engagement Lead

Chartered Accountants

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Understanding your business and key developments

| Developments | Key challenges | Financial reporting | | | | | | |
|---|--|---------------------|----------------|------------------|-------------|---------|---------|---|
| <p>Highways network asset (HNA)</p> <p>On the 14 November 2016 CIPFA/LASAAC announced a deferral of measuring the Highways Network Asset at Depreciated Replacement Cost in local authority financial statements for 2016/17. This deferral is due to delays in obtaining updated central rates for valuations.</p> <p>CIPFA/LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18. It currently anticipates that the 2017/18 Code will be on the same basis as planned for 2016/17, i.e. not requiring restatement of preceding year information.</p> <p>Integrated care with health sector</p> <p>A single commissioning function between the Council and Tameside and Glossop CCG became operational in shadow form on 1 April 2016 under the banner of "Care Together". It is proposed that the Integrated Care Organisation (ICO) will become fully operational for 2017/18. Care Together is a partnership between the CCG, Tameside Foundation Trust and the Council, and works closely with GPs and the third sector to deliver better health outcomes for the people of Tameside and Glossop.</p> <p>The financial commitment to the ICO is significant and includes the entire CCG commissioning budget together with Adult Services, Children's Services and Public Health within the Council. A total of £454m is committed for 2016/17 between the CCG and the Council within a Integrated Commissioning Fund (ICF). It is critical that strong governance arrangements are in place to ensure positive outcomes are achieved. Leading this is the Council's Chief Executive who is now also CCG Accountable Officer.</p> | <p>Financial settlement</p> <p>The government has eased back on the pace by which public expenditure must come into balance, however spending constraints remain. Tameside has an agreed four year efficiency plan for the period 2016/17 to 2019/20. This provides some financial certainty but sees a funding reduction of £8.3m (8.1%) in 2017/18 over the current year. Overall there is a cumulative reduction of £17.7m (17.1%) across the four year period which the Council must fund through savings and efficiencies.</p> <p>Ofsted inspection of children's services</p> <p>Ofsted issued a report on aspects of the Council's Children's services in December 2016 which rated these as inadequate. The Council is currently developing its response to this inspection ahead of on-going review visits from Ofsted and a follow up inspection is scheduled for 2018.</p> <p>The Council has developed an Improvement Plan and set up an Improvement Board with an external independent Chair to coordinate actions and monitor actions.</p> <p>Key performance indicators</p> <table border="1" data-bbox="779 975 1473 1118"> <thead> <tr> <th>Measure</th> <th>2016/17 budget</th> <th>2016/17 forecast</th> </tr> </thead> <tbody> <tr> <td>Expenditure</td> <td>£162.3m</td> <td>£157.5m</td> </tr> </tbody> </table> <p>The Council is forecasting an underspend on the expenditure budget of £4.8m as at Q3. People Directorate is overspent by £3.3m which is offset by savings elsewhere across the Council.</p> | Measure | 2016/17 budget | 2016/17 forecast | Expenditure | £162.3m | £157.5m | <p>CIPFA Code of Practice 2016/17 (the Code)</p> <p>Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.</p> <p>The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.</p> <p>Earlier closedown</p> <p>The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. We are working with the finance team to deliver a July 2017 audit opinion in preparation for the statutory change. The finance team in turn plan to deliver draft accounts on 31 May 2017, one month ahead of the statutory deadline.</p> <p>Vision Tameside</p> <p>The Council is mid way through its ambitious Vision Tameside capital programme to revitalise the borough as a preferred place to invest. This brings together a number of partners including Tameside College to raise skill levels across the borough.</p> <p>Vision Tameside includes a major rebuilding project in Ashton town centre combined with a new transport interchange.</p> |
| Measure | 2016/17 budget | 2016/17 forecast | | | | | | |
| Expenditure | £162.3m | £157.5m | | | | | | |

| Our response |
|--|
| <ul style="list-style-type: none"> • We aim to complete all our substantive audit work of your financial statements so that the financial statements can be approved at the Overview (Audit) Panel on 31 July 2017. • As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code. • We will review the arrangements in place to address the concerns raised by Ofsted as part of our VFM conclusion. • We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops. • We will discuss with you your progress in implementing the HNA requirements, highlighting any areas of good practice or concern which we have identified. |

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £9,830k (being 2% of 2015/16 gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £250k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

| Balance/transaction/disclosure | Explanation | Materiality level |
|---|---|--|
| Related party transactions | Due to public interest in these disclosures and the statutory requirement for them to be made. (misstatements will also be evaluated by reference to how material they are to the other party). | £100,000 however errors will be assessed individually, with due regard given to the nature of the error and its potential impact on the materiality of the other party. |
| Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements | Due to public interest in these disclosures and the statutory requirement for them to be made. | £20,000 (however errors will be assessed individually, with due regard given to the nature of the error and its potential impact on the materiality of the other party). |

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK & Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK & Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

| Significant risk | Description | Audit procedures |
|---|--|--|
| The revenue cycle includes fraudulent transactions | <p>Under ISA (UK & Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical frameworks of local authorities, including Tameside Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for the Council.</p> |
| Management over-ride of controls | <p>Under ISA (UK & Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> | <p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of journal entry process <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management • Review of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions |
| The expenditure cycle includes fraudulent transactions | <p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered.</p> | <p>Work planned:</p> <ul style="list-style-type: none"> • Substantive testing of expenditure for the year • Testing of payables and accrued expenditure including reviewing post year end invoices and payments |

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK & Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK & Ireland) 550)

Significant risks identified (continued)

| Significant risk | Description | Audit procedures |
|---|---|---|
| <p>Valuation of property, plant and equipment</p> <p>Valuation: Revaluation measurements not correct</p> | <p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p> | <p>Work completed to date:</p> <ul style="list-style-type: none"> Review of management's processes and assumptions for the calculation of the estimate Review of the competence, expertise and objectivity of any management expert used <p>Further work planned:</p> <ul style="list-style-type: none"> Review of the instructions issued to valuation experts and the scope of their work Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value |
| <p>Valuation of pension fund net liability</p> <p>Valuation: Pension fund net liability not correct</p> | <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> | <p>Work planned:</p> <ul style="list-style-type: none"> We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out We will undertake procedures to confirm the reasonableness of the actuarial assumptions made We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary |

Other risks identified – Reasonably possible risks

Reasonably possible risks (RPRs) are, in the auditor's judgement, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day to day activities of the business.

| Reasonably possible risks | Description of risk | Audit procedures |
|--|---|---|
| <p>Operating expenses</p> <p>Completeness – Operating expenses are understated or not recorded in the correct period.</p> <p>Completeness – Creditors (payables) understated or not recorded in the correct period.</p> | <p>Year end creditors and accruals are understated or not recorded in the correct period.</p> | <p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation of processes and controls • Evaluation and walkthrough of controls • Tested a sample of expenditure transactions for the first 10 months of the year <p>Further work planned:</p> <ul style="list-style-type: none"> • Test a sample of expenditure transactions for the remainder of the year • Review post year end payments to identify any unrecorded liabilities • Understand management’s accruals process and test any significant accruals • Review in-year and post year-end payments to identify whether the transactions have been recorded in the correct financial period • Test a sample of year-end creditors to supporting evidence and post year-end payment |

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity’s controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK & Ireland) 315)

Other risks identified - Reasonably possible risks (continued)

| Reasonably possible risks | Description of risk | Audit procedures |
|--|---|---|
| <p>Employee remuneration</p> <p>Completeness: Employee remuneration and benefit obligations understated</p> | <p>Employee remuneration accruals are understated</p> | <p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation of processes and controls • Evaluation and walkthrough of controls • Trend analysis for the first ten months of the year of net pay, employer's NI and employer's superannuation to identify any unusual fluctuations • Tested a sample of payroll transactions for the first 10 months of the year <p>Further work planned:</p> <ul style="list-style-type: none"> • Test a sample of payroll transactions for the remainder of the year • Review post year end payments to identify any unrecorded liabilities • Understand management's accruals process and test any significant accruals • Review in-year and post year-end payments to identify whether the transactions have been recorded in the correct financial period |

Other risks identified (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK & Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- housing benefit expenditure;
- heritage assets;
- investment properties;
- debtors (long and short term);
- investments (long and short term);
- assets held for sale;
- cash and cash equivalents;
- trade and other receivables;
- borrowings and other liabilities (long and short term);
- provisions (including equal pay provision);
- usable and unusable reserves;
- Movement in Reserves Statement and associated notes;
- statement of cash flows and associated notes;
- financing and investment income and expenditure;
- taxation and non-specific grants;
- schools balances and transactions;
- officers' remuneration note;
- members' allowances note;
- leases note;
- related party transactions note;
- capital expenditure and capital financing note;
- financial instruments note;
- Collection Fund and associated notes;
- Greater Manchester Metropolitan Debt Administration Fund and associated notes; and
- Greater Manchester Pension Fund and associated notes – this has its own Audit Plan.

Changes to the 2016/17 Code of Practice – Presentation of the accounts

CIPFA has been working on the ‘Telling the Story’ project to streamline the financial statements and improve accessibility to the user. This has resulted in changes to the 2016/17 Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required. To address the risk of disclosure error in the financial statements we will:

- document and evaluate the process for recording the required financial reporting changes to the 2016/17 financial statements;
- review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure they are in line with the reporting structure;
- review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS);
- test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES;
- test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements; and
- review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the Code.

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out opposite:

| Sub-criteria | Detail |
|---|--|
| Informed decision making | <ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control |
| Sustainable resource deployment | <ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities |
| Working with partners and other third parties | <ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities |

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including the Care Quality Commission and Ofsted.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified one significant risk which we are required to communicate to you. This is set out below.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report, and bring to your attention any further significant risks that we identify.

| Significant risk | Link to sub-criteria | Work proposed to address |
|---|--|---|
| Ofsted inspection of children's services Ofsted issued a report on the Council's children's services in December 2016 which rated these as 'inadequate'. The Council is currently subject to follow up review. Until such time as Ofsted has confirmed that adequate arrangements are in place this remains a significant risk to the Council's arrangements regarding children's services. | This links to the Council's arrangements for managing risks effectively and maintaining a sound system of internal control, demonstrating and applying the principles and values of sound governance, and planning, organising and developing the workforce effectively to deliver strategic priorities. | We will review the arrangements the Council has in place to respond to the Ofsted concerns. This will include a review of progress made by the Improvement Board and monitoring of the Ofsted action plan. We will review update reports from Ofsted as they become available and take these into account in forming our conclusion. |

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we aim to give by 31 July 2017.

Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- we will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council;
- we will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice;
- we will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors;
- we consider our other duties under the Act and the Code, as and when required, including:
 - we will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State; and

we certify completion of our audit.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

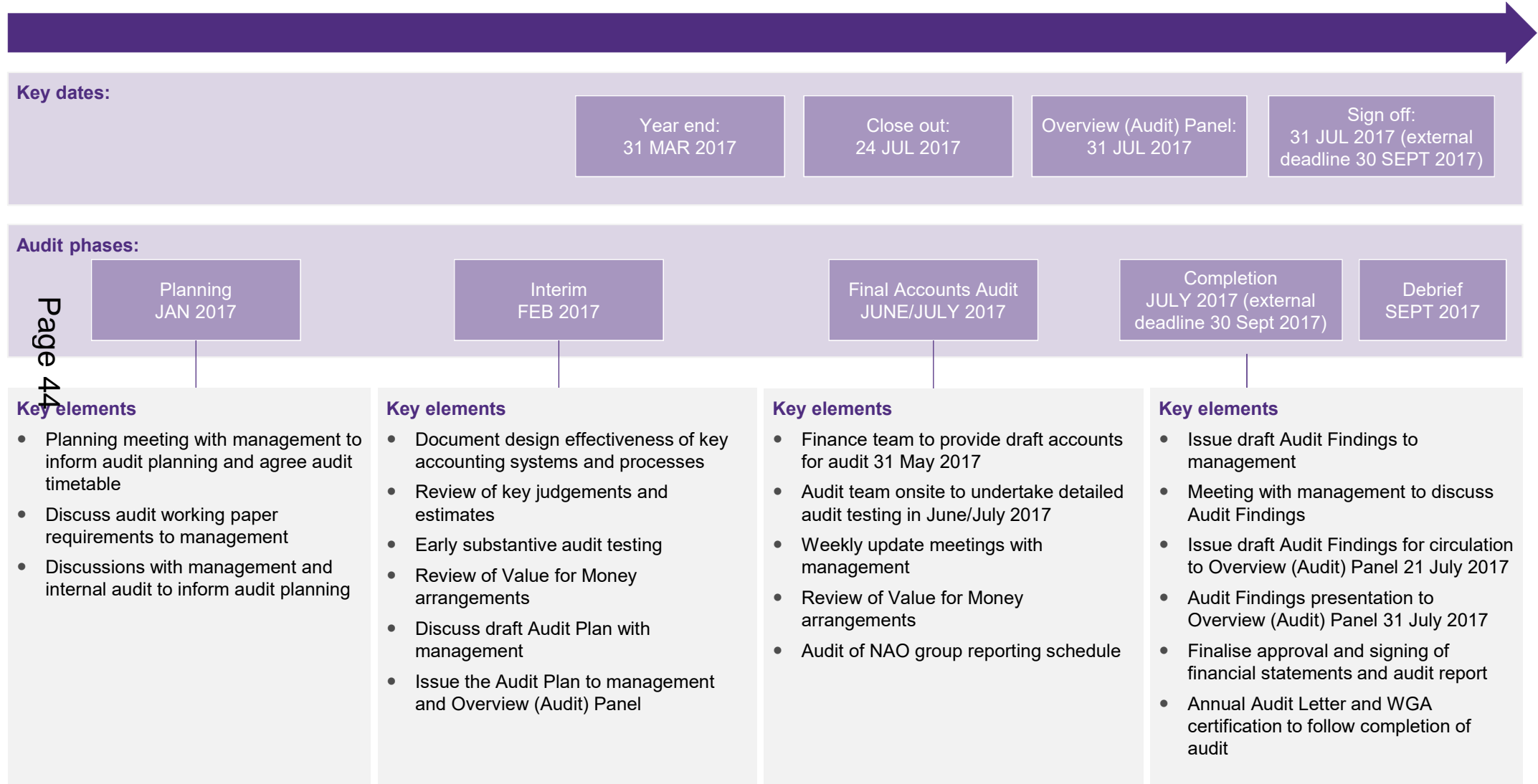
| | Work performed | Conclusion |
|--|--|---|
| Internal audit | <p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We will continue to liaise with Internal Audit and consider the outcome of their work on the Council's key financial systems and any impact it has on our responsibilities. We have not identified any significant weaknesses impacting on our responsibilities.</p> | <p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p> |
| Entity level controls | <p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices | <p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p> |
| Review of information technology controls | <p>Our information systems specialist are performing a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>This is to provide assurance that IT controls have been observed to have been implemented in accordance with our documented understanding.</p> | <p>Our work is on-going but to date has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p> |

Results of interim audit work (continued)

| | Work performed | Conclusion |
|--|--|---|
| Walkthrough testing | <p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. These are:</p> <ul style="list-style-type: none"> • employee remuneration (payroll); • operating expenses (payables / creditor payments); and • Property Plant and Equipment (PPE) valuation (revaluation of PPE). <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p> | Our work has not identified any weaknesses which impact on our audit approach. |
| Journal entry controls | <p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> | Our work has not identified any weaknesses which impact on our audit approach. |
| Early substantive testing | <p>We have undertaken substantive testing on a sample basis for the first ten months of the financial year for employee remuneration and operating expenses.</p> <p>Our work has not identified any issues we wish to bring to your attention.</p> | Our work has not identified any material weaknesses which are likely to adversely impact on the Council's financial statements. |
| Minutes review | <p>We have reviewed the agenda papers and minutes from a variety of meetings throughout the year to identify potential audit risks, including:</p> <ul style="list-style-type: none"> • Full Council and Executive Cabinet; • Overview (Audit) Panel and Audit Panel; and • Scrutiny Panels and other committees relevant to our audit. | <p>No additional audit risks further to those reported in this Audit Plan have been identified.</p> <p>We will update our minutes review up to the date of our audit opinion during our final accounts audit.</p> |
| Assurance letters from those charged with governance and management | <p>As part of our planning work to understand the Council's governance arrangements, we have raised a number of routine questions to both those charged with governance (TCWG) and management. The questions deal with a variety of issues such as internal control, risk management, fraud and litigation and the potential impact of these areas on the Council's financial statements.</p> | <p>We have proposed to the Council that the responses from both TCWG and management are included on the agenda for the Overview (Audit) Panel in July 2017.</p> |

The audit cycle

The audit timeline



Audit Fees

Fees

| | £ |
|--|----------------|
| Council audit | 105,017 |
| Grant Certification: Housing Benefits (indicative) | 24,323 |
| Total audit fees (excluding VAT) | 129,340 |

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Feed back on your systems and processes, and identifying potential risks, opportunities and savings
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team

Independence and non-audit services

Ethical Standards and ISA (UK & Ireland) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Tameside Council. The following audit related and non-audit services were identified for the Council for 2016/17:

Fees for other services

| Service | Fees £ | Planned outputs |
|--|---------------|--------------------------------------|
| Audit related: | | |
| Teachers' Pension Return | 4,200 | Independent accountants' certificate |
| George Frederick Byrom Trust independent examination | 1,000 | Independent examiners' statement |
| CFO Insights software provision | 10,000 | Access to database and support |
| Total | 15,200 | |

The amounts detailed are fees to be agreed for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The above services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

| | Audit Plan | Audit Findings |
|---|------------|----------------|
| Our communication plan | | |
| Respective responsibilities of auditor and management/those charged with governance | ✓ | |
| Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications | ✓ | |
| Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought | | ✓ |
| Confirmation of independence and objectivity | ✓ | ✓ |
| A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | ✓ | ✓ |
| Material weaknesses in internal control identified during the audit | | ✓ |
| Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements | | ✓ |
| Non compliance with laws and regulations | | ✓ |
| Expected modifications to the auditor's report, or emphasis of matter | | ✓ |
| Uncorrected misstatements | | ✓ |
| Significant matters arising in connection with related parties | | ✓ |
| Significant matters in relation to going concern | ✓ | ✓ |



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The Audit Plan for Greater Manchester Pension Fund

Year ended 31 March 2017

23 February 2017

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Greater Manchester Pension Fund
Guardsman Tony Downs House
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23 February 2017

Dear Members

Audit Plan for Greater Manchester Pension Fund for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Greater Manchester Pension Fund, the Overview (Audit) Panel of Tameside MBC), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to give an opinion on the Fund's financial statements.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

Mike Thomas

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Understanding your business and key developments

Developments

Investment Regulations

The new investment regulations came into force on 1 November 2016 and require administering authorities to publish new Investment Strategy Statements by 1st April 2017. The statement must be in accordance with guidance issued by the Secretary of State and include a variety of information. This will include the authority's assessment of the suitability of particular investments and types of investments, the authority's approach to risk, including the ways in which risks are to be measured and managed and the authority's approach to pooling investments, including the use of collective investment vehicles and shared services. These regulations also provide the Secretary of State with the power to intervene in the investment function of a fund if he/she is satisfied that the authority is failing to do so in accordance with the regulations.

The GMPF Pension Fund has produced its Investments Strategy Statement, which will be approved by the 1st April 2017.

Triennial actuarial valuation of the fund

The results of the triennial review have now been reported. Overall the funding level has reduced by 2.5% from the date of the last valuation, but remains comparatively well funded at 92.5%. The schemes assets and liabilities have increased, on for the first time the valuation include the MoJ transferred Pensions.

Key challenges

Pooling Governance

Arrangements for pooling of investments continue to develop, with DCLG expecting administering authorities to be transferring liquid assets from April 2018. The structure and governance of these arrangements will need to be implemented before this date. These arrangements are likely to have a significant impact on how the investments are managed, who makes decisions and how investment activities are actioned and monitored. Although much of this operational responsibility will move to the investment pool operator, it is key that administering authorities (through Pension Committees and Pension Boards) continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements.

The proposal for pooling GMPF investments with Merseyside Pension Fund and the West Yorkshire Superannuation Fund (for combined assets of over £35bn) was submitted in July 2016 supported by a joint Memorandum of Understanding between the three Funds.

A formal response from the Government to the 'Northern Pool' proposal has yet to be received, however plans continue to be developed for the Pool's governance structure and operating model.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

The main change to the Code for Pension Funds is the extension of the fair value disclosures required under the Code from 2016/17.

The greatest impact is expected to be for those Funds holding directly owned property and/or shares and Level 3 investments. These are reflected in CIPFA's pension fund example accounts alongside further changes including an analysis of Investment Management expenses in line with CIPFA's Local Government Pension Scheme Management Costs guidance, a realignment of investment classifications, and an additional disclosure note covering remuneration of key management personnel which has been included in related party transactions.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. This will impact not only upon the production of the Fund accounts but also on earlier requests for information from employers within the Fund.

The Finance team confirm the financial statements will be prepared by 31st May. and working papers will be provided to enable the audit visit to commence 12 June 2017.

We aim to provide our opinion by 31 July 2017

Our response

- We will discuss with you your progress in implementing the requirements of the new investment regulations, highlighting any areas of good practice or concern which we have identified.
- We will discuss your progress in implementing revised governance structures, and share our experiences gained nationally.
- We aim to complete all our substantive audit work of your financial statements by 7th July 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the changes in the 2016/17 Code

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Fund. In line with previous years, we have calculated financial statements materiality based on a proportion of net assets for the Fund. For purposes of planning the audit we have determined overall materiality to be £173,246k (being 1% of net assets based on previous audited accounts). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £8,662k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

| Balance/transaction/disclosure | Explanation | Materiality level |
|--------------------------------|--|-------------------|
| Related party transactions | Due to public interest in these disclosures and the statutory requirement for them to be made. | £20,000 |

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

| Significant risk | Description | Audit procedures |
|--|--|---|
| <p>The revenue cycle includes fraudulent transactions</p> | <p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Greater Manchester Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The split of responsibilities between the Pension Fund, its Fund Managers, Custodian and HSBC provides a clear separation of duties reducing the risks relating to investment income • The culture and ethical frameworks of local authorities, including the Pension Funds Administering Authority (Tameside MBC), mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Greater Manchester Pension Fund.</p> |
| <p>Management over-ride of controls</p> | <p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> | <p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of journal environment <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Walkthrough of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Testing of Year end Journals • Review of unusual significant transactions |

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

| Significant risk | Description | Audit procedures |
|---|---|---|
| <p>Level 3 Investments – Fair value measurements priced using inputs not based on observable market data not correct. (Valuation is incorrect)</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 55</p> | <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters.</p> <p>Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> | <p>Work completed to date:</p> <ul style="list-style-type: none"> Updated our understanding of the Pension Fund's procedures for investments <p>Further work planned:</p> <ul style="list-style-type: none"> For indirect property investments, test valuations to valuation reports and/or other supporting documentation. For a sample of private equity investments, test valuations to Fund Manager valuations and/or by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. Review the qualifications of the fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. To review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments. |

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

| Reasonably possible risks | Description of risk | Audit procedures |
|----------------------------------|---|---|
| Investment Income Page 56 | Investment activity not valid. Investment income not accurate. (Accuracy) | Work completed to date: <ul style="list-style-type: none"> Updated our understanding of the Pension Fund's procedures for investments Further work planned: <ul style="list-style-type: none"> Perform walkthrough test of controls identified For investments held by fund managers, review reconciliation between custodian (JP Morgan), fund managers, HSBC and the Pension Fund and follow up any significant variance and gain appropriate explanations/evidence for these. For other investments,(e.g. direct property), agree a sample to supporting documentation. |
| Investment purchases and sales | Investment activity not valid. Investment valuation not correct. | Work completed to date: <ul style="list-style-type: none"> Updated our understanding of the Pension Fund's procedures for investments Further work planned: <ul style="list-style-type: none"> Perform walkthrough test of controls identified For investments held by fund managers, review reconciliation between JP Morgan, fund managers, HSBC and the Pension Fund and follow up any significant variance and gain appropriate explanations/evidence for these. For other investments,(e.g. direct property), agree a sample to supporting documentation for rental income |

Other risks identified (continued)

| Reasonably possible risks | Description of risk | Audit procedures |
|---|---|--|
| Investment values – Level 2 investments | Valuation is incorrect. (Valuation net) | <p>Work completed to date:</p> <ul style="list-style-type: none"> Updated our understanding of the Pension Fund's procedures for investments <p>Further work planned:</p> <ul style="list-style-type: none"> Perform walkthrough test of controls identified We will review the reconciliation of information provided by the fund managers, the custodian, the Accounting partner (HSBC) and the Pension Fund's own records and seek explanations for variances.. For direct property investments agree values in total to valuer's report and undertake steps to gain reliance on the valuer as an expert. |
| Contributions | Recorded contributions not correct (Occurrence) | <p>Work completed to date:</p> <ul style="list-style-type: none"> Updated our understanding of the Pension Fund's arrangements for recording contributions <p>Further work planned:</p> <ul style="list-style-type: none"> Perform walkthrough tests of controls identified Test a sample of contributions to source data to gain assurance over their accuracy and occurrence. Rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained. |
| Benefits payable | Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence) | <p>Work completed to date:</p> <p>Updated our understanding of the Pension Fund's arrangements for gaining assurance over benefit payments.</p> <p>Further work planned:</p> <ul style="list-style-type: none"> Perform walkthrough test of controls identified Controls testing over, completeness, accuracy and occurrence of benefit payments, Test a sample of individual pensions in payment by reference to member files. We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained. |

Other risks identified (continued)

| Reasonably possible risks | Description of risk | Audit procedures |
|---------------------------|---|--|
| Member Data | Member data not correct. (Rights and Obligations) | <p>Work completed to date:</p> <ul style="list-style-type: none"> Updated our understanding of the Pension Fund's arrangements for maintaining member data. <p>Further work planned:</p> <ul style="list-style-type: none"> Perform walkthrough test of the controls identified Review of reconciliation of member numbers Sample testing of changes to member data made during the year to source documentation |

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Management expenses
- Cash deposits
- Level 1 investments
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments

Other audit responsibilities

- We will read the Narrative Statement within 'Tameside MBC' statement of accounts and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will read the Pension Fund Annual Report and ensure that it is consistent with the Pension Fund Accounts included within Tameside MBC statement of accounts.

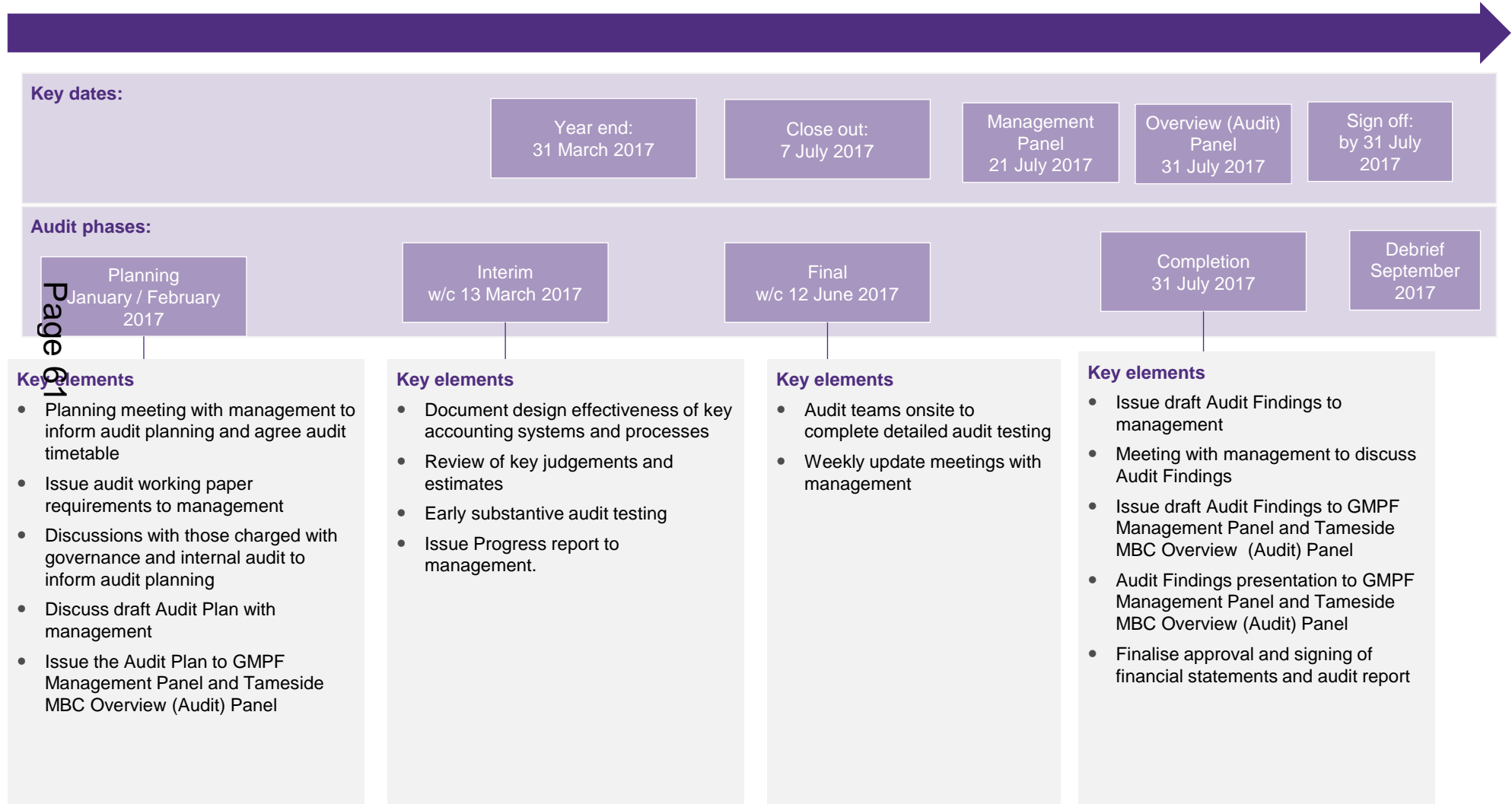
Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

| | Work performed | Conclusion |
|---|--|--|
| Internal audit Page 60 | <p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention</p> <p>We have also reviewed internal audit's work on the Fund's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p> | <p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Fund and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p> |
| Entity level controls | <p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices | <p>Our work has identified no material weaknesses which are likely to adversely impact on the Fund's financial statements</p> |

The audit cycle

The audit timeline



Audit Fees

Fees

| | £ |
|---|---------------|
| Pension fund audit | 56,341 |
| IAS 19 fee | 5,996 |
| Total audit fees (excluding VAT) | 62,337 |

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Fund and its activities, have not changed significantly
- The Fund will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services

Fees for other services are detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency

Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Greater Manchester Pension Fund. The following audit related and non-audit services were identified for the Fund for 2016/17:

Fees for other services to GMPF

| Service | Fees £ | Planned outputs |
|--------------------------|------------|-----------------|
| Audit related | | |
| None | Nil | |
| Non-audit related | | |
| None | Nil | |

Grant Thornton UK LLP also provides audit services to:

- Matrix Homes Limited Partnership for audit and accounts fees totalling £11,500*
- Greater Manchester and London Infrastructure Limited Partnership for audit and accounts fees of £9,600*

These are separate engagements outside the remit of Public Sector Audit Appointments Limited.

* based on previous years audited accounts

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Should any non-audit services be proposed we will ensure these services are consistent with the Administering Authority's policy on the allotment of non-audit work to your auditors .

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Fund.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

| Our communication plan | Audit Plan | Audit Findings |
|---|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance | ✓ | |
| Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications | ✓ | |
| Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought | | ✓ |
| Confirmation of independence and objectivity | ✓ | ✓ |
| A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | ✓ | ✓ |
| Material weaknesses in internal control identified during the audit | | ✓ |
| Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements | | ✓ |
| Non compliance with laws and regulations | | ✓ |
| Expected modifications to the auditor's report, or emphasis of matter | | ✓ |
| Uncorrected misstatements | | ✓ |
| Significant matters arising in connection with related parties | | ✓ |
| Significant matters in relation to going concern | ✓ | ✓ |

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Agenda Item 6.

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| Report To: | AUDIT PANEL |
| Date: | 30 May 2017 |
| Reporting Officer: | Ian Duncan – Assistant Executive Director (Finance) |
| Subject: | PLANNED AUDIT FEE FOR 2017/18 |
| Report Summary: | To present to Members the planned audit fee letter from Grant Thornton for the external audit of 2017/18. This is for information only. |
| Recommendations: | To note the letter. |
| Links to Community Strategy: | The Community Strategy helps determine priorities for Council spending. The spending will be audited by Grant Thornton in the 2017/18 audit. |
| Policy Implications: | There are no direct policy implications. |
| Financial Implications: (Authorised by the Section 151 Officer) | Provision for the audit fees are included within the annual budget approved by Council. |
| Legal Implications: (Authorised by the Borough Solicitor) | PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales. Failing this the fees are likely to significantly rise. |
| Risk Management: | The audit provides external verification of the Council's financial statements. |
| Access to Information: | The background papers relating to this report can be inspected by contacting the report writer, Beverley Stephens, Finance Business Partner:-  Telephone: 0161 342 3887  e-mail: beverley.stephens@tameside.gov.uk |

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Ms Sandra Stewart
Executive Director – Governance, Resources and Pensions
Tameside Council
Dukinfield Town Hall
King Street
Dukinfield
SK16 4LA

23 March 2017

23 March 2017

Dear Sandra

Planned audit fee for 2017/18

The Local Audit and Accountability Act 2014 provides the framework for local public audit. Under these provisions the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Audit Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](http://www.psaa.gov.uk).

From 2018/19 PSAA has been specified by the Secretary of State as an appointing person for principal local government and police bodies, and will make auditor appointments and set fees for bodies that have opted into the national auditor appointment scheme it is developing.

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no changes to the overall work programme for local government audited bodies for 2017/18, following the recent CIPFA/LASAAC announcement that their planned introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities in 2017/18 will no longer proceed. PSAA have therefore set the 2017/18 scale audit fees at the same level as the scale fees applicable for 2016/17. The Council's scale fee for 2017/18 has been set by PSAA at £105,017.

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The audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2017/18 will be undertaken under this Code, on the basis of the [2017/18 work-programme and scales of fees](#) set out on the PSAA website. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return.

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Certification of grant claims and returns [if applicable]

At the request of the Department for Work and Pensions, auditors appointed by PSAA will continue to certify local authority claims for housing benefit subsidy for 2017/18.

The Council's indicative fee for this certification work has yet to be set by PSAA. We will write to you to confirm the fee when this has been confirmed.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves.

Pension Fund audit

PSAA has also established a scale of fees for pension fund audits. The scale fee for the audit of the pension fund is £56,341, in line with 2016/17. Our work on the pension fund will be undertaken by our specialist pension fund audit team, led by myself, Mike Thomas.

Billing schedule

Fees will be billed as follows:

| Main Audit fee | £ |
|-----------------------|----------------|
| September 2017 | 26,255 |
| December 2017 | 26,254 |
| March 2018 | 26,254 |
| June 2018 | 26,254 |
| Total | 105,017 |

| | |
|--------------------------------------|------------------|
| Housing Benefit Certification | |
| March 2018 | T.B.A by PSAA |

| | |
|---------------------------|---------------|
| Pension Fund audit | |
| March 2018 | 56,341 |

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2017 to January 2018. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit, work on the VfM conclusion and work on the whole of government accounts return will be completed in June and July 2018.

| Phase of work | Timing | Outputs | Comments |
|----------------------------------|---|--|--|
| Audit planning and interim audit | November 2017 planning December 2017- January 2018 interim audit visit | Audit plan | The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM. |
| Final accounts audit | June – July 2018 | Audit Findings Report to those charged with governance - the Overview (Audit) Panel Audit Opinion | The Audit Findings Report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance. |
| VfM conclusion | November 2017 – July 2018 | Audit Findings Report VfM Conclusion | As above |

| | | | |
|------------------------------|--|------------------------------------|---|
| Whole of government accounts | July 2018 | Opinion on the WGA return | This work will be completed alongside the accounts audit. |
| Annual audit letter | August 2018 | Annual Audit Letter to the Council | The letter will summarise the findings of all aspects of our work. |
| Grant certification | According to the Grant funding instruction | Grant certification report | A report summarising the findings of our housing benefit certification work |

Our team

The key members of the audit team for 2017/18 are:

| | Name | Phone Number | E-mail |
|--|-----------------|---------------------|---------------------------|
| Engagement Lead – Council and Pension fund | Mike Thomas | 0161 214 6368 | Mike.thomas@uk.gt.com |
| Engagement Manager - Council | Stephen Nixon | 0161 234 6362 | Stephen.r.nixon@uk.gt.com |
| Engagement Manager – Pension fund | Marianne Dixon | 0113 200 1699 | Marianne.dixon@uk.gt.com |
| In Charge Auditor – Council and Pension fund | Mark Stansfield | 0161 234 6356 | Mark.stansfield@uk.gt.com |

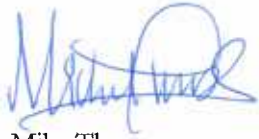
Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Public Sector Assurance regional lead partner, via Sarah.howard@uk.gt.com.

Yours sincerely



Mike Thomas

Engagement Lead

For Grant Thornton UK LLP

Cc Ian Duncan, Assistant Executive Director - Resources

Agenda Item 7.

| | |
|--|--|
| Report To: | AUDIT PANEL |
| Date: | 30 May 2017 |
| Reporting Officers: | Paddy Dowdall, Assistant Director of Pensions (Local Investments and Property) Ian Duncan, Assistant Executive Director (Finance) |
| Subject: | GMPF STATEMENT OF ACCOUNTS 2016-2017 GOVERNANCE ARRANGEMENTS |
| Report Summary: | This report aims to inform Members of the governance arrangements for approval of the accounts for Greater Manchester Pension Fund (GMPF) as part of the accounts of Tameside MBC as administering authority. Secondly, the report asks Members to note the key assumptions for estimates used in the GMPF accounts |
| Recommendations: | (i) To note the governance arrangements for approval of GMPF accounts. (ii) To note the assumptions for estimates used in the GMPF accounts. |
| Financial Implications: (Authorised by the Section 151 Officer) | As the administering authority, Tameside MBC (the Council) has important responsibilities in relation to the Greater Manchester Pension Fund. However, as the largest fund in the Local Government Pension Scheme, GMPF also has significant resources it deploys to meet those responsibilities. This paper sets out where the responsibilities lie. The assumptions used for valuing assets will have an impact on the value of assets reported in the accounts. In most circumstances the impact is unlikely to be material. For equities and bonds a bid basis is used that results in a more prudent outcome (v mid or offer basis). |
| Legal Implications: (Authorised by the Solicitor to the Fund) | The administering authority must produce an annual report and accounts. |
| Risk Management: | GMPF's accounts are used to provide information to a variety of users and for a variety of purposes. The accuracy of the statements is critical in the determination of employer costs and there are clearly reputational issues relating to the validity of the accounts. The audit process provides reassurance on the integrity of the statements and mitigates against the possibility of material misstatement |
| Access to Information: | NON-CONFIDENTIAL This report does not contain information which warrants its consideration in the absence of the Press or members of the public. |
| Background Papers: | The background papers used in the preparation of this report were:- |

1. The 2016/2017 Financial Ledger
2. Closure Working Papers
3. GMPF Statement of Accounts 2016/2017

Any enquiries should be directed to Tracey Boyle, 0161-301-7116 (email: tracey.boyle@tameside.gov.uk)

1. INTRODUCTION

1.1 This report covers two sections:-

- Governance Arrangements for the approval of the accounts;
- Noting of the on-going key assumptions made in compiling the accounts

1.2 The governance arrangements for approval of the accounts have been brought forward this year as a consequence of changes for the statutory deadlines for local authorities to produce their accounts in 2018.

2. GOVERNANCE ARRANGEMENTS

2.1 The key decision making body for GMPF is the Management Panel which approves the GMPF accounts and formal letters required by the external auditor. It also receives external audit reports.

2.2 The key decision making bodies for the Council are the Audit Panel, which receives accounting policies reports for both GMPF and the Council and the Overview (Audit) Panel which receives the report of the external auditor following the audit of the accounts. The Council retains overall responsibility for the accounts of both, and the follow-up on the audit reports received for both, but in practice delegates the responsibility for GMPF to GMPF.

2.3 The provisional timetable for approval of the accounts and audit reports by these bodies for 2016-2017 is outlined in the table below.

| Date | Group | Stage |
|---------------|--------------------------------|---|
| 21 April 2017 | Employer Funding Working Group | Noting of continued key assumptions and updated governance arrangements (GMPF) |
| 30 May 2017 | Audit Panel | Approval of key assumptions and noting of governance arrangements (TMBC and GMPF) |
| 21 July 2017 | GMPF Management Panel | Approval of final accounts, annual report and audit report (GMPF) |
| 31 July 2017 | Overview (Audit) Panel | Approval of final accounts, annual report and audit report (GMPF and TMBC) |

2.4 The plan this year, in preparation for the legal requirement from 2017-2018 is that the pre-audit accounts of both the Council and GMPF are signed off by the S151 officer of the Council by 31 May 2017.

2.5 The review by the external auditors commences thereafter. Grant Thornton LLP provide the external audit contract for both, but a separate team conduct the GMPF audit due to the specialist and technical demands of LGPS accounts.

2.6 We are looking to comply with the post 2017-2018 arrangements a year early so the aim is for the process to be complete by 31 July 2017.

3. CONTINUED KEY ASSUMPTIONS

3.1 The key continuing assumptions used in production of the accounts will be disclosed in note 2 of the GMPF accounts when produced:-



- Accruals basis
- Fair value for investments

- Market prices at bid where possible
- For non-listed assets, compliance with accounting standards and best practice
- Liabilities in compliance with International Accounting Standard 19 (IAS19)
- Continued phased implementation of CIPFA's guidance on accounting for management costs in the LGPS

4. RECOMMENDATION

- 4.1 To note the governance arrangements for the approval of GMPF's accounts.
- 4.2 To note the continued assumptions for estimates to be used in the GMPF Statement of Accounts.

Agenda Item 8.

| | |
|--|--|
| Report To: | AUDIT PANEL |
| Date: | 30 May 2017 |
| Reporting Officer: | Ian Duncan – Assistant Executive Director (Finance) |
| Subject: | REVIEW OF INTERNAL AUDIT 2016/2017 |
| Report Summary: | The report reviews the effectiveness of Internal Audit and measures practices and performance of the Internal Audit function with the standards set out in the Public Sector Internal Audit Standards which contributes to the overall effectiveness of the system of internal control. |
| Recommendations: | That the report be noted. |
| Links to Community Strategy: | Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy. |
| Policy Implications: | Effective Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance. |
| Financial Implications: (Authorised by the Section 151 Officer) | Effective Internal Audit assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services. |
| Legal Implications: (Authorised by Borough Solicitor) | Demonstrates compliance with the Accounts and Audit Regulations 2015, which require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. It also must conduct a review of “the effectiveness of the system of internal control annually”. |
| Risk Management: | Assists in providing the necessary levels of assurance that the significant risks relating to Council operations are being effectively managed. |
| Access to Information: | The background papers relating to this report can be inspected by contacting the Report Author, Ian Duncan, Assistant Executive Director (Finance) by contacting:-  Telephone: 0161 342 3864  e-mail: ian.duncan@tameside.gov.uk |

1. INTRODUCTION

- 1.1 The purpose of this report is to provide the Audit Panel with the background to the review of Internal Audit, the requirements of the Public Sector Internal Audit Standards, the process that has been adopted and details of the review itself.
- 1.2 It is the responsibility of the Council to conduct the annual review of the effectiveness of the system of internal control in accordance with the Accounts and Audit Regulations 2015 as detailed below and the review of internal audit is one element of the assurance process in place that culminates in the production of the Annual Governance Statement referred to in section 1.5.

1.3 Part 2, Section 3 – Responsibility for Internal Control

A relevant authority must ensure that it has a sound system of internal control which:-

- (a) facilitates the effective exercise of it's functions and the achievement of it's aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

1.4 Part 2, Section 5 – Internal Audit

- (1) A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.
- (2) Any officer or member of a relevant body must, if required to do so for the purpose of the internal audit:-
 - (a) Make available such documents and records; and
 - (b) Supply such information and explanation;as are considered necessary by those conducting the internal audit.
- (3) In this regulation "documents and records" includes information recorded in an electronic form.

This is supported by the Council's Financial Regulations, which reflect Internal Audit's statutory authority to review and investigate all areas of the Council's activities in order to ensure that the Council's interests are protected.

1.5 Part 2 Section 6 – Review of Internal Control System

- (1) A relevant authority must, each financial year:-
 - (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an Annual Governance Statement.
- (2) If the relevant authority referred to in paragraph (1) is a Category 1 authority (Tameside MBC falls into this category), following the review, it must:-
 - (a) consider the findings of the review required by paragraph (1)(a):
 - (i) by a committee; or
 - (ii) by members of the authority meeting as a whole; and
 - (b) approve the Annual Governance Statement prepared in accordance with paragraph (1)(b) by resolution of:
 - (i) a committee; or
 - (ii) members of the authority meeting as a whole.

- (3) (Excluded as this clause relates to category 2 authorities and the Council is a category 1).
- (4) The Annual Governance Statement, referred to in paragraph (1)(b) must be:-
 - (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
 - (b) prepared in accordance with proper practices in relation to accounts(a).

1.6 Clearly, an important input into the review of Internal Audit is the view of our External Auditors and in their Annual Plan for the Council dated 8 March 2017 they commented as follows:-

“We have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment”.

1.7 In carrying out the review the Public Sector Internal Audit Standards published in 2013 have been extensively relied upon. The focus of the review has been on the delivery of the Internal Audit Service to the required standard in order to produce the required outcome which is reliable assurance on internal control, governance and the management of risks in the Council. In carrying out the review reference has also been made to the Key Performance Indicators of Internal Audit, the value added by Internal Audit, the extent to which reliance is placed on Internal Audit by the External Auditor and feedback from customers who have been audited.

1.8 From April 2017 the updated Public Sector Internal Audit Standards published in March 2017 are applicable and a review is currently underway to measure the service against these revised standards.

2. INTERNAL AUDIT IN TAMESIDE

2.1 The function is managed by the Head of Risk Management and Audit Services who during 2016/17 reported directly to the Assistant Executive Director (Finance) as the Section 151 Officer.

2.2 Internal Audit now comprises of 9.2 FTE staff that have a range of experience and relevant qualifications, and includes two dedicated Fraud Investigators/Counter Fraud Specialists.

2.3 The Internal Audit Service is provided to all Directorates/Service Areas together with schools and a comprehensive list of all auditable areas is maintained within the Audit Management System “Galileo”. A detailed Annual Audit Plan is produced at the start of each financial year after consultation with both officers and members. Internal Audit provides services to the Greater Manchester Pension Fund and the Greater Manchester Debt Administration Fund as well as to the Council itself.

3. ASSESSMENT AGAINST THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS – EFFECTIVE FROM APRIL 2013

3.1 The Public Sector Internal Audit Standards became effective from 1 April 2013 and comprise a definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all internal auditors working in the UK public sector.

3.2 The definition of Internal Audit is:-

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

3.3 The definition recognises the consultancy work undertaken and emphasises the need to ensure that the audit function is adding value to and improving the organisations operations.

3.4 It is recognised in the standards that the provision of assurance work is the primary role for Internal Audit in the UK public sector. The role requires the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature and are generally performed at the specific request of the organisation with the aim of improving governance, risk management and control and contributing to the overall opinion.

3.5 The purpose of the Code of Ethics is to promote an ethical culture in the profession of internal auditing. It extends beyond the definition of internal auditing to include two essential components:-

- Principles that are relevant to the profession and practice of internal auditing.
- Rules of conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors. There are four principles:-
 - **Integrity** – the integrity of internal auditors establishes trust and thus provides the basis of reliance on their judgement.
 - **Objectivity** – internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. They make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
 - **Confidentiality** – internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
 - **Competency** – internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

3.6 The standards themselves are divided into two categories:-

- Attribute Standards – Purpose, Authority and Responsibility.
- Performance Standards – Managing the Internal Audit Activity.

3.7 Table 1 shows an assessment against each of the individual standards within the above two categories and a comparison of the results presented to the Audit Panel in May 2016 compared to the position as at March 2017.

3.8 **Table 1 – Assessment against the Public Sector Internal Audit Standards – 2017**

| STANDARDS | 2017 | 2016 |
|--|-----------------|-----------------|
| ATTRIBUTE | Fully Compliant | Fully Compliant |
| 1000 – Purpose, Authority and Responsibility | ✓ | ✓ |
| 1100 – Independence and Objectivity | ✓ | ✓ |
| 1200 – Proficiency and Due Professional Care | ✓ | ✓ |
| 1300 – Quality Assurance and Improvement Programme | ✓ | ✓ |
| PERFORMANCE | ✓ | ✓ |
| 2000 – Managing the Internal Audit Activity | ✓ | ✓ |
| 2100 – Nature of Work | ✓ | ✓ |
| 2200 – Engagement Planning | ✓ | ✓ |
| 2300 – Performing the Engagement | ✓ | ✓ |
| 2400 – Communicating the Results | ✓ | ✓ |
| 2500 – Monitoring Progress | ✓ | ✓ |
| 2600 – Communicating the Acceptance of Risks | ✓ | ✓ |

3.9 In relation to Section 1300 shown above, Standard, 1312 covers external assessments and whilst full compliance has been assessed an external assessment has not yet been undertaken in the four years of the standard. The requirement states that an external assessment must be carried out at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

3.10 As reported to the Panel previously the North West Chief Audit Executive Group has developed a methodology to deliver the external assessments required by the standard across the group in the form of peer reviews. The initial proposal was shared with, and approved by, the Chartered Institute of Public Finance and Accountancy. Each review is conducted by a panel of two/three Heads of Audit and moderated by another panel of two/three different Heads of Audit. A number of reviews have now been undertaken and Tameside's review is scheduled for Q3/4 during 2017/18.

4. PERFORMANCE INDICATORS, VALUE ADDED AND FEEDBACK

4.1 Internal Audit has three key performance indicators and for 2016/17 all targets were either met or exceeded:-

- 93% of Plan Complete (94% in 2015/16 - Target 90%)
- 92% of Recommendations Implemented (92% in 2015/16 - Target 90%)
- 94% Customer Satisfaction (95% in 2015/16 - Target 90%)

4.2 With regards to Added Value in the annual plan we endeavour to incorporate a mixture of assurance audits and consultancy reviews requested by management to ensure that the service delivers what the organisation requests. Part of our work involves providing independent assurance regarding the implementation of new systems to ensure that the data is migrated correctly and that the control environment is satisfactory from the outset and this

work is valued by managers. During 2016/17 we worked with Exchequer Services, Libraries and Resource Management on the following projects:-

- Bank transfer
- The 'Chest' Procurement Portal
- Online payments
- Implementation of the new Libraries system

4.3 Furthermore, we get involved in service redesigns and providing advice and support to the process, as it is more efficient and effective if we can ensure that controls are in place at the outset rather than auditing after the event and then finding issues and concerns.

4.4 Customer feedback is very positive and can be demonstrated in many ways:-

- Customer satisfaction is very high at 94%, which signifies that auditees appreciate the process, albeit, sometimes they do not like the outcome, especially if a low level of assurance is given;
- At the planning stage requests for work always outweighs resources available;
- In year we receive a significant number of requests for advice and support; and
- In year we receive requests to get involved in new projects.

4.5 The performance of the wider organisation is monitored by the team as we keep a watching brief over the changing profile of risks affecting service delivery from a variety of sources. Through consultation with Executive Members/Senior Managers, facilitating the Information Governance Group, fraud briefings/bulletins, attending AGMA Groups a wealth of intelligence is amassed which enables the internal audit plan and approach to be adapted to keep pace with the changing complexities of local government.

5. MANAGING THE RISK OF FRAUD AND CORRUPTION

5.1 The Chartered Institute of Public Finance and Accountancy issued, via it's Counter Fraud Centre, a Code of Practice in 2014 entitled "Code of Practice on Managing the Risk of Fraud and Corruption".

5.2 The self-assessment has been reviewed and the work of Internal Audit in terms of proactive and reactive fraud work does provide assurance that the requirements of the code are being adhered to. This in turn provides evidence for the assessment of Internal Audit against the Public Sector Internal Auditing Standards.

6. CIPFA STATEMENT ON THE ROLE OF THE HEAD OF INTERNAL AUDIT (HIA)

6.1 The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:-

- the organisation;
- the role; and
- the individual.

For each principle, the Statement sets out the governance arrangements required within an organisation to ensure that HIA's are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA. Summaries of

personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their HIA.

6.2 The five principles are as follows:-

- The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;
- The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;
- The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose; and
- The HIA in a public service organisation must be professionally qualified and suitably experienced.

6.3 A self-assessment has been undertaken against the checklist published in the report by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the role of the Head of Internal Audit as part of the review of the system of internal audit and the Head of Internal Audit is in full compliance with the five principles and the supporting standards.

7. AUDIT PANEL

7.1 The system of internal control includes the role of the Audit Panel and, in particular, it's role in the receipt and evaluation of reports from the Head of Risk Management and Audit Services, both in terms of assurance opinions and in ensuring that appropriate arrangements are in place to evaluate and improve the effectiveness of risk management, control and governance processes across the Council. It has operated in accordance with best practice and guidance from the Chartered Institute of Public Finance and Accountancy for 2016/17.

8. CONCLUSIONS

8.1 Against each of the standards, Internal Audit has achieved all the requirements of the Public Sector Internal Audit Standards, as demonstrated in **Appendix 1**.

8.2 From the review of Internal Audit, it can be concluded that it helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes in accordance with the Public Sector Internal Auditing Standard's definition. Taking on board the positive comments received from our External Auditors and the positive comments received from Senior Management Teams/Executive Members assurance can be given that the Council has an adequate and effective Internal Audit function which contributes to the overall effectiveness of the system of internal control.

9. RECOMMENDATION

9.1 That the report be noted.

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Self-Assessment against the requirements of the Public Sector Internal Audit Standards for 2016/2017

| Ref | Requirement | Current position | Actions required |
|---------|---|---|------------------|
| 1000.A1 | <p>The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurance services are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.</p> <p>The charter must include:-</p> <ul style="list-style-type: none"> Internal audit activity's purpose, authority and responsibility; Position of IA within the authority; Authorisation of access to records, personnel and physical properties; Definition of the scope of internal audit activities; Definition of the terms 'board' and senior management for the purposes of IA activity; Arrangements for appropriate resourcing; Definition of the role of IA within any fraud related work; and Arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities. | <p>Audit Charter approved by the Audit Panel on 31 May 2016.</p> <p>No non-audit tasks undertaken.</p> | |
| 1000.C1 | The nature of consulting services must be defined in the audit charter. | Defined in the Audit Charter and included in the Audit Plan and any changes would be reported to the Audit Panel in year. | |
| 1010 | <p><u>Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter</u></p> <p>The chief internal auditor should discuss the mandatory nature of the definition of internal auditing, the Code of Ethics and the Standards with senior management and the board.</p> | Compliant – This is built into the annual report and the audit plan. | |
| 1100 | <u>Independence and Objectivity</u> | | |

| Ref | Requirement | Current position | Actions required |
|------|--|--|------------------|
| | <p>The chief internal auditor has unrestricted access to senior management and the board.</p> <p>Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others. Threats to objectivity must be managed at the individual auditor, functional and operational levels.</p> | <p>Access is available when needed.</p> <p>Any concerns would be reported to the Principal Auditors or the CIA.</p> | |
| 1110 | <p><u>Organisational Independence</u></p> <p>The chief internal auditor must confirm to the board, at least annually, the organisational independence of the internal audit activity.</p> <p>The chief internal auditor must have free and unfettered access to the chief executive and the chair of the audit committee</p> <p>The chief internal auditor should report functionally to the board, examples of functional reporting to the board involve the board:-</p> <p>Approving the internal audit charter;</p> <p>Approving the risk based audit plan;</p> <p>Approving the internal audit budget and resource plan;</p> <p>Receiving communications from the chief internal auditor on the internal audit activity's performance relative to its plan and other matters;</p> <p>Approving decisions regarding the appointment and removal of the chief internal auditor;</p> <p>Approving the remuneration of the chief internal auditor¹; and</p> <p>Making appropriate enquiries of management and the chief internal auditor to determine whether there are inappropriate scope or resource limitations.</p> | <p>Confirmed in both the Annual Report and the Audit Plan Report presented to the Audit Panel and the Greater Manchester Pension Fund Local Board.</p> <p>Available if needed.</p> <p>Compliant – All aspects are covered and reported to the Audit Panel.</p> | |

¹ Governance requirements in the UK Public Sector would not generally involve the board approving the chief internal auditor's remuneration specifically. The underlying principle is that the independence of the CIA is safeguarded by ensuring his or her remuneration is not inappropriately influenced by those subject to audit. In the UK public sector, this can be achieved by ensuring that the chief executive (or equivalent) countersigns, contributes feedback to or reviews the performance appraisal of the CIA and that feedback is also sought from the chair of the audit committee.

| Ref | Requirement | Current position | Actions required |
|---------|---|--|------------------|
| 1110.A1 | The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results. | Compliant – Whilst consultation is undertaken the final decision rests with the CIA/Principal Auditors and team. | |
| 1111 | <u>Direct Interaction with the Board</u> The Chief Internal Auditor must communicate and interact directly with the board. | Compliant - The Head of Risk Management and Audit Services (CIA) reports directly to the Audit Panel and the Greater Manchester Pension Fund Local Board. | |
| 1120 | <u>Individual Objectivity</u> Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest. | Compliant – Declaration of Interest forms are in place. Staff are experienced and would report any conflicts to their Principal Auditor or the CIA. | |
| 1130 | <u>Impairment to Independence or Objectivity</u> If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. | If applicable this would be reported to the Principal Auditors or the CIA. | |
| 1130.A1 | Internal Auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year. | Compliant – Auditors do not give assurance on an activity they have had responsibility for. Limited risk, as the majority of the team has been together for a number of years. Any new staff would be assessed and their work managed accordingly. | |
| 1130.A2 | Assurance engagements for functions over which the chief internal auditor has responsibility must be overseen by a party outside the internal audit activity. | Yes this would be done. | |
| 1130.C1 | Internal auditors may provide consulting services relating to | Compliant – If an auditor has previous knowledge of an area then it can | |

| Ref | Requirement | Current position | Actions required |
|---------|---|---|------------------|
| | operations for which they had previous responsibilities. | assist in consultancy work and this would reduce the time taken. Sometimes though it is recognised that somebody without knowledge is preferred to bring a fresh approach. | |
| 1130.C2 | If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement. Public sector requirement – Approval must be sought from the board for any significant additional consulting activities not already included in the audit plan, prior to accepting the engagement. | Compliant - Changes to the audit plan are reported to the Audit Panel and the Greater Manchester Pension Fund Local Board. | |
| 1200 | Engagements must be performed with proficiency and due professional care. | Experienced staff in place. | |
| 1210 | Public Sector Requirement – the Chief Internal Auditor must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced. | Compliant - CIA holds the CIPFA Qualification. | |
| 1210.A1 | The chief internal auditor must obtain competent advice and assistance if the internal auditors lack the knowledge, skills or other competencies needed to perform all or part of the engagement. | This is undertaken when and where appropriate. | |
| 1210.A2 | Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud. | Compliant - Staff are very experienced in the audit team. Any issues detected are discussed with the Principal Auditors/CIA and a plan of action put in place and liaison would take place with the Fraud Investigator. | |
| 1210.A3 | Internal Auditors must have sufficient knowledge of key information technology risks and controls and available technology based audit techniques to perform their assigned work. However, not all internal | Compliant. The services of Salford Computer Audit are procured for ICT specific | |

| Ref | Requirement | Current position | Actions required |
|---------|---|---|------------------|
| | auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing. | audits and for the provision of support and advice. | |
| 1210.C1 | The chief internal auditor must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills or other competencies needed to perform all or part of the engagement. | Compliant – If applicable this would be addressed by either declining the engagement or by providing the relevant training for the auditor(s) involved. | |
| 1220 | Due Professional Care – Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility. | Compliant – Experienced team in place. | |
| 1220.A1 | Internal auditors must exercise due professional care by considering the:- <ul style="list-style-type: none"> • Extent of work needed to achieve the engagement’s objectives; • Relative complexity, materiality or significance of matters to which assurance procedures are applied; • Adequacy and effectiveness of governance, risk management and control processes; • Probability of significant errors, fraud or non-compliance; and • Cost of assurance in relation to potential benefits. | Compliant – Experienced team in place. | |
| 1220.A2 | In exercising due professional care auditors must consider the use of technology-based audit and other data analysis techniques. | IDEA used. | |
| 1220.A3 | Internal auditors must be alert to the significant risks that might affect objectives, operations or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified. | Risks are identified by the Auditor initially and then discussed with the Principal Auditor as per the audit process and confirmed with senior management as part of the terms of reference process. In relation to the wider picture Team Briefings are held to ensure that corporate messages | |

| Ref | Requirement | Current position | Actions required |
|---------|--|---|---|
| | | are disseminated to the team. The Wire and the Chief Executive's Brief also provide regular corporate information. All reports are reviewed by the CIA. | |
| 1220.C1 | <p>Internal auditors must exercise due professional care during a consultancy engagement by considering the:-</p> <ul style="list-style-type: none"> • Needs and expectations of clients, including the nature, timing and communication of engagement results; • Relative complexity and extent of work needed to achieve the engagement's objectives; and • Cost of the consulting engagement in relation to potential benefits. | Compliant – Experienced team in place. | |
| 1230 | Continuing Professional Development – Internal auditors must enhance their knowledge, skills and other competencies through Continual Professional Development. | In Place – Annual Development Reviews are undertaken annually and where appropriate they cover Continual Professional Development. Whilst training budgets are limited alternative ways to enhance knowledge and skills are encouraged. | |
| 1300 | <p><u>Quality Assurance and Improvement Programme</u></p> <p>The chief internal auditor must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.</p> <p>The QA programme should enable an evaluation to be made of the internal audit activity's conformance with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> and an evaluation of whether internal auditors apply the <i>Code of Ethics</i>.</p> <p>The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.</p> | <p>Quality assurance process in place.</p> <p>Performance is measured annually and reported to the Audit Panel.</p> <p>Compliance with auditing standards has been assessed for many years and will continue into the future.</p> <p>Continual improvement is built into the process. Auditors are aware of the</p> | Galileo (the audit management system) was updated in March 2017. Options offered by the new version of the software will be reviewed in Quarter 1 and working practices assessed to capture any improvements in efficiency. |

| Ref | Requirement | Current position | Actions required |
|------|---|---|------------------|
| | | need to identify opportunities for improvement and challenge why we do what we do. | |
| 1310 | <p><u>Requirements of the Quality Assurance and Improvement Programme</u></p> <p>The quality assurance and improvement programme must include both internal and external assessments.</p> | <p>Both conducted. Customer questionnaires are issued with all Final Reports and meetings are held with Senior Officers, Executive Members and External Audit to discuss progress and performance.</p> <p>An external assessment of the service will be conducted during 2017/18.</p> | |
| 1311 | <p>Internal assessments must include:-</p> <p>On-going monitoring of the performance of the internal audit activity; and</p> <p>Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.</p> | <p>Quality assurance process in place within IA.</p> <p>Customer Questionnaires are used.</p> <p>IA has been assessed against the CIPFA Code of Practice for many years and is now assessed annually against the PSIAS.</p> | |
| 1312 | <p>External assessments must be carried out at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief internal auditor must discuss with the board:-</p> <ul style="list-style-type: none"> • The form of external assessments; and • The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest. <p>External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.</p> <p>The chief internal auditor must agree the scope of external assessments with an appropriate sponsor, e.g. the Accounting / Accountable officer or the chair of the audit committee as well as with</p> | <p>Peer Reviews will be conducted across the North West Audit Executive Group.</p> | |

| Ref | Requirement | Current position | Actions required |
|------|---|---|------------------|
| | the external assessor or assessment team. | | |
| 1320 | <p><u>Reporting on the Quality Assurance and Improvement Programme</u></p> <p>The chief internal auditor must communicate the results of the quality assurance and improvement programme to senior management and the board.</p> <p>Public sector requirement – the results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.</p> | <p>Benchmarking and Performance Indicators are reported to the Audit Panel.</p> <p>Performance is discussed with Senior Managers, Executive Members and External Audit regularly.</p> | |
| 1321 | <p><u>Use of ‘Conforms with the International Standards for the Professional Practice of Internal Auditing’.</u></p> <p>The chief internal auditor may state that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement programme support this statement.</p> <p>Interpretation: The internal audit activity conforms with the Standards when it achieves the outcomes described in the definition of Internal Auditing, Code of Ethics and Standards.</p> | Compliant. | |
| 1322 | <p><u>Disclosure of Non-conformance</u></p> <p>When non-conformance with the definition of Internal Auditing, the Code of Ethics or the Standards impacts on the overall scope or operation of the internal audit activity, the chief internal auditor must disclose the non-conformance and the impact to senior management and the board.</p> <p>Public sector requirement – Instances of non-conformance must be reported to the board. More significant deviations must be considered for inclusion in the governance statement.</p> | Any non-conformance would be reported to the Audit Panel at the annual review. | |
| 2000 | <u>Managing the Internal Audit Activity</u> | | |

| Ref | Requirement | Current position | Actions required |
|---------|--|---|------------------|
| | The chief internal auditor must establish an annual risk based audit plan. The plan should take account of the risk management framework, including risk appetite levels set by management for the different activities or parts of the organisation. If the risk management framework is not well established, then the head of internal audit must use their own judgement of risks after consideration of input from senior management and the board. The chief internal auditor must review and adjust the plan as necessary in response to changes in the organisation's business, risks, operations, programs, systems and controls. | Compliant – A risk based plan is in place. | |
| 2010.A | The internal audit activity's plan of engagements must be based on a documented risk assessment undertaken at least annually. The input of senior management and the board must be considered in this process. | Compliant – This is undertaken annually. | |
| 2010.A2 | The chief internal auditor must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions. | Compliant – The draft report is discussed with management at the closure of an audit and the audit opinion and conclusions evaluated. Standard criteria are in place to assess the opinion allocated. | |
| 2010.C1 | The chief internal auditor should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan. | All work is included in the plan. | |
| 2020 | <p><u>Communication and Approval</u></p> <p>The chief internal auditor must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief internal auditor must also communicate the impact of resource limitations.</p> | Reported to the Audit Panel and the Greater Manchester Pension Fund Local Board. | |

| Ref | Requirement | Current position | Actions required |
|------|--|--|------------------|
| 2030 | <p><u>Resource Management</u></p> <p>The chief internal auditor must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved audit plan.</p> <p>Public Sector requirement – the risk based plan must explain how internal audit’s resource requirements have been assessed.</p> <p>Where the chief internal auditor believes that the level of agreed resources will impact adversely on the provision of the annual audit opinion, the consequences must be brought to the attention of the board.</p> | Compliant – Any adverse impact would be discussed with the Chief Finance Officer and reported to the Audit Panel. | |
| 2040 | <p><u>Policies and Procedures</u></p> <p>The chief internal auditor must establish policies and procedures to guide the internal audit activities.</p> | Compliant – Audit Strategy and Charter in place together with documented processes. | |
| 2050 | <p><u>Co-ordination</u></p> <p>The chief internal auditor should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.</p> <p><u>Public sector requirement</u></p> <p>The chief internal auditor must include in the risk based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.</p> | Compliant – External sources of assurance would be assessed before any reliance was placed on them. | |
| 2060 | <p><u>Reporting to senior management and the Board</u></p> <p>The chief internal auditor must report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters</p> | Compliant – Quarterly activity reports are issued to Senior Management and Executive Members. Reports are issued at the conclusion of all assignments and presented to senior management including any significant risk exposures or control issues. | |

| Ref | Requirement | Current position | Actions required |
|------|--|--|------------------|
| | needed or requested by senior management and the board. | Progress is reported to the Audit Panel and the Greater Manchester Pension Fund Local Board. | |
| 2070 | <p><u>External Service Provider and Organisational Responsibility for Internal Auditing</u></p> <p>When an external service provider serves as the internal audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.</p> <p>This will be demonstrated through the quality assurance and improvement programme which assures conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.</p> | N/A – The only external service provider used is Salford Computer Audit Services and all work is conducted in partnership and the in-house audit team are fully involved at the terms of reference and closure meeting. The report is issued by the CIA. | |
| 2100 | <p><u>Nature of Work</u></p> <p>The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.</p> | Standard approach and processes in place to ensure the service contributes to improvements in governance, risk management and control. | |
| 2110 | <p><u>Governance</u></p> <p>The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:-</p> <ul style="list-style-type: none"> • Promoting appropriate ethics and values within the organisation; • Ensuring effective organisational performance management and accountability; • Communicating risk and control information to appropriate areas of the organisation; and • Coordinating the activities of and communicating management information among the board, external and internal auditors and management. | Compliant – All aspects are covered by the services provided by the Service Unit. | |

| Ref | Requirement | Current position | Actions required |
|---------|--|---|------------------|
| 2110.A1 | The internal audit activity must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities. | Compliant and built into the audit plan and individual audit assignments. | |
| 2110.A2 | The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives. | ICT audits are included in the annual audit plan. | |
| 2120 | <u>Risk Management</u> The internal audit activity must evaluate the effectiveness and contribute to the improvement of the risk management processes. | In place as all audits undertaken are risk based. | |
| 2120.A1 | The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the:- <ul style="list-style-type: none"> • Achievement of the organisation's strategic objectives; • Reliability and integrity of financial and operational information; • Effectiveness and efficiency of operations and programmes; • Safeguarding of assets; and • Compliance with laws, regulations, policies, procedures and contracts. | Compliant - All covered. | |
| 2120.A2 | The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk. | Compliant – This is undertaken at the planning stage and conducted as part of each audit assignment in the assessment of controls to ensure the risk of fraud is minimised. | |
| 2120.C1 | During consultation engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks. | Compliant - Experienced staff undertake audits and consultancy work. | |
| 2120.C2 | Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk | Compliant – Internal Audit and the Risk Management Team work very | |

| Ref | Requirement | Current position | Actions required |
|---------|---|---|------------------|
| | management processes. | closely together. | |
| 2120.C3 | When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risk. | All staff clearly understand that the responsibility for risk management rest with managers. | |
| 2130 | <p><u>Control</u></p> <p>The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.</p> | Compliant – The audit plan in place is designed to deliver assurance that controls are effective. Where improvements are identified recommendations are made. | |
| 2130.A1 | <p>The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation’s governance, operations and information systems regarding the:-</p> <ul style="list-style-type: none"> • Achievement of the organisation’s strategic objectives; • Reliability and integrity of financial and operational information; • Effectiveness and efficiency of operations and programmes; • Safeguarding of assets; and • Compliance with laws, regulations, policies, procedures and contracts. | Compliant – All aspects covered by the work of internal audit. | |
| 2130.C1 | Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation’s control processes. | Compliant – This is undertaken where applicable. | |
| 2200 | <p><u>Engagement Planning</u></p> <p>Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing and resource allocations.</p> | Terms of Reference issued. | |
| 2201 | <u>Planning Considerations</u> | | |

| Ref | Requirement | Current position | Actions required |
|---------|---|---|------------------|
| | <p>In planning the engagement, internal auditors must consider:-</p> <ul style="list-style-type: none"> • The objectives of the activity being reviewed and the means by which the activity controls its performance; • The significant risks to the activity, its objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level; and • The opportunities for making significant improvements to the activity's governance, risk management and control processes. | Compliant – All aspects covered. | |
| 2201.A1 | When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records. | This is conducted in relation to the Greater Manchester Pension Fund as we audit the Contributing Bodies. A letter is issued outlining the objectives, scope, responsibilities, timescales etc. | |
| 2201.C1 | Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities and other client expectations. For significant engagements, this understanding must be documented. | Compliant - Documented. | |
| 2210 | <p><u>Engagement Objectives</u></p> <p>Objectives must be established for each engagement</p> | Compliant – Issued for each project. | |
| 2210.A1 | Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of the assessment. | Compliant - Terms of Reference issued. | |
| 2210.A2 | Internal auditors must consider the probability of significant errors, fraud, non-compliance and other exposures when developing the engagement objectives. | Terms of Reference Initial audit meeting with management. | |
| 2210.A3 | Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent | Compliant – A performance framework is in place which evaluates | |

| Ref | Requirement | Current position | Actions required |
|---------|---|---|------------------|
| | to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and / or the board to develop appropriate evaluation criteria. | governance, risk management and controls. Furthermore, as part of the AGS process Executive Directors are required to complete a self-assessment, which evaluates the above, and many other key service deliverables. Value for Money featured in audit work. | |
| 2210.C1 | Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client. | Compliant – The terms of reference agree the scope and objectives of the audit any deviations would be explained to the client. | |
| 2210.C2 | Consulting engagement objectives must be consistent with the organisation’s values, strategies and objectives. | Compliant – All objectives meet the needs of the organisation. | |
| 2220 | <u>Engagement Scope</u> The established scope must be sufficient to satisfy the objectives of the engagement. | Compliant - Agreed with management before work commences. | |
| 2220.A1 | The scope of the engagement must include consideration of relevant systems, records, personnel and physical properties, including those under control of third parties. | Compliant - Scope discussed with management and all points considered. | |
| 2220.A2 | If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards. | Compliant - Terms of reference would be issued. | |
| 2220.C1 | In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed | Compliant - Any concerns would be discussed within internal audit and then with management. | |

| Ref | Requirement | Current position | Actions required |
|---------|---|---|------------------|
| | with the client to determine whether to continue with the engagement. | | |
| 2220.C2 | During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues. | Compliant - Quality assurance process in place to ensure all aspects are covered. | |
| 2230 | <p><u>Engagement Resource Allocation</u></p> <p>Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints and available resources.</p> | An audit plan is in place which estimates the days for each assignment. Variations to the plan have to be discussed with the Head of Risk Management and Audit and reported to the Audit Panel and the Greater Manchester Pension Fund Local Board. | |
| 2240 | <p><u>Engagement work programme</u></p> <p>Internal auditors must develop and document work programmes that achieve the engagement objectives.</p> | Compliant - All recoded in Galileo – Audit Management System. | |
| 2240.A1 | Work programmes must include the procedures for identifying, analysing, evaluating and documenting information during the engagement. The work programme must be approved prior to its implementation and any adjustments approved promptly. | Compliant - Control evaluation and testing programme reviewed by Principal Auditor and any changes are discussed as part of the ongoing supervision process. | |
| 2240.C1 | Work programmes for consulting engagements may vary in form and content depending upon the nature of the engagement. | Compliant - Template in place but the content can be varied to suit the engagement if required. | |
| 2300 | <p><u>Performing the Engagement</u></p> <p>Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.</p> | All recorded in Galileo – Audit Management System and the quality assurance processes ensure that objectives are met and that sufficient information is identified, analysed and evaluated. | |

| Ref | Requirement | Current position | Actions required |
|---------|--|---|------------------|
| 2310 | <u>Identifying Information</u> Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives. | Compliant - Experience auditors undertake the work to meet this standard. | |
| 2320 | <u>Analysis and evaluation</u> Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations. | Compliant - Working papers are held in Galileo and reviewed as part of the assurance process. | |
| 2330 | <u>Documenting Information</u> Internal auditors must document relevant information to support the conclusions and engagement results. | Compliant - All working papers held in Galileo and reviewed as part of the assurance process. | |
| 2330.A1 | The chief internal auditor must control access to engagement records. The chief internal auditor must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties as appropriate. | Compliant - Consultation would take place with the Executive Director of Governance and Resources/Legal Services before any action was taken. | |
| 2330.A2 | The chief internal auditor must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements. | Compliant - Retention records in place. | |
| 2330.C1 | The chief internal auditor must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements. | Compliant - Retention records in place. Consultancy work would only be undertaken for Council Directorates or schools. | |
| 2340 | <u>Engagement supervision</u> Engagements must be properly supervised to ensure objectives are | Compliant - Supervision and quality assurance process in place. | |

| Ref | Requirement | Current position | Actions required |
|---------|--|---|------------------|
| | achieved, quality is assured and staff are developed. | | |
| 2400 | <u>Communicating results</u> Internal auditors must communicate the results of engagements. | Compliant - Draft Reports are issued for management comments and responses. Final Report incorporating any changes and responses issued. Post Audit Review Reports are also issued showing the implementation of recommendations. | |
| 2410 | <u>Criteria for communicating</u> Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans. | Compliant – All produced through Galileo using agreed templates. | |
| 2410.A1 | Final communication of engagement results must, where appropriate, contain internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information. | Compliant – The Final Report covers all these points. | |
| 2410.A2 | Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications. | Compliant – Satisfactory performance is acknowledged in reports. | |
| 2410.A3 | When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results. | All reports issued as Private and Confidential. | |
| 2410.C1 | Communication of the progress and results of consulting engagements will vary in form and content depending on the nature of the engagement and the needs of the client. | Compliant - Flexibility is adopted. | |
| 2420 | <u>Quality of Communications</u> Communications must be accurate, objective, clear, concise, constructive, complete and timely. | Compliant - This is tested via the customer questionnaire. | |



| Ref | Requirement | Current position | Actions required |
|---------|--|---|------------------|
| 2421 | <p><u>Errors and Omissions</u></p> <p>If a final communication contains a significant error or omission, the chief internal auditor must communicate corrected information to all parties who received the original communication.</p> | Compliant - A revised report would be issued in this circumstance and the recipients informed of the changes and why they have occurred. | |
| 2430 | <p>Use of 'conducted in accordance with the International Standards for the Professional Practice of Internal Auditing'.</p> <p>Internal auditors may report that their engagements are '<i>Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing</i>', only if the results of the quality assurance and improvement programme support the statement.</p> | Compliant – Included in all reports. | |
| 2431 | <p><u>Engagement disclosure of non-conformance</u></p> <p>When non-conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards impacts a specific engagement, communication of the results must disclose the:-</p> <ul style="list-style-type: none"> • Principle or rule of conduct of the Code of Ethics or Standard with which full conformance was not achieved; • Reason for non-conformance; and • Impact of non-conformance on the engagement and the communicated engagement results. | Appropriate communication would be issued if applicable. | |
| 2440 | <p><u>Disseminating results</u></p> <p>The chief internal auditor must communicate results to the appropriate parties.</p> <p>Interpretation: the chief internal auditor is responsible for reviewing and approving the final engagement communication and deciding to whom and how it will be disseminated. When the chief internal auditor delegates these duties, he or she retains overall responsibility.</p> | Compliant - Reporting rules are in place within the quality assurance system. Variations to the norm are discussed with the Head of Risk Management and Audit Services (CIA). | |
| 2440.A1 | The chief internal auditor is responsible for disseminating the final results to parties who can ensure the results are given due | Compliant – Draft, Final and PAR Reports all issued. | |

| Ref | Requirement | Current position | Actions required |
|---------|--|---|------------------|
| | consideration. | | |
| 2440.A2 | <p>If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organisation, the chief internal auditor must;</p> <ul style="list-style-type: none"> • Assess the potential risk to the organisation; • Consult with senior management and / or legal counsel as appropriate; and • Control dissemination by restricting the use of the results. | Careful consideration as to how to respond would be given if the situation occurred and appropriate advice requested. | |
| 2440.C1 | The chief internal auditor is responsible for communicating the results of consulting engagements to clients. | Compliant – Agreed processes in place. | |
| 2440.C2 | During consultation engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board. | Compliant - Communication with management takes place at the conclusion of all pieces of work conducted by the Internal Audit Team. | |
| 2450 | <p><u>Overall opinions</u></p> <p>Where an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.</p> <p>Interpretation:</p> <p>The communication will identify:</p> <ul style="list-style-type: none"> • The scope including the time period to which the opinion pertains; • Scope limitations; • Consideration of all related projects, including the reliance on other assurance providers; • The risk or control framework or other criteria used as a basis for the overall opinion; and • The overall opinion, judgement or conclusion reached. | Compliant – This is covered by the Annual Report produced by Head of Risk Management and Audit Services (CIA) | |

| Ref | Requirement | Current position | Actions required |
|---------|--|--|------------------|
| | <p>The reasons for an unfavourable opinion must be stated</p> <p><u>Public sector requirement</u></p> <p>The chief internal auditor must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.</p> <p>The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p> <p>The annual report must incorporate:-</p> <ul style="list-style-type: none"> • The opinion; • A summary of the work that supports the opinion; and • A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme. | | |
| 2500 | <p><u>Monitoring Progress</u></p> <p>The chief internal auditor must establish and maintain a system to monitor the disposition of results communicated to management.</p> | Compliant - Audit Management system in place – Galileo. | |
| 2500.A1 | The chief internal auditor must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. | Compliant - Post Audit Review process in place. Actions followed up after 6 months and 3 months where a low level of assurance is given. | |
| 2500.C1 | The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed with the client. | Compliant. | |
| 2600 | <p><u>Communicating the acceptance of risks</u></p> <p>When the chief internal auditor concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief internal auditor must discuss the matter with senior management. If the chief internal auditor determines that the matter</p> | Compliant - This is built into the quality assurance process used and would form part of the audit report. | |

| Ref | Requirement | Current position | Actions required |
|-----|--|------------------|------------------|
| | <p>has not been resolved, the chief internal auditor must communicate the matter to the board.</p> <p><u>Interpretation</u></p> <p>The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief internal auditor to resolve the risk.</p> | | |

Agenda Item 9.

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|--|--|
| Report To: | AUDIT PANEL |
| Date: | 30 May 2017 |
| Reporting Officer: | Wendy Poole – Head of Risk Management and Audit Services |
| Subject: | RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2016/2017 |
| Report Summary: | The report summarises the work performed by the Service Unit and provides assurances as to the adequacy of the Council's systems of internal control. |
| Recommendations: | Members note the report. |
| Links to Community Strategy: | Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy. |
| Policy Implications: | Effective Risk Management and Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance. |
| Financial Implications: (Authorised by the Section 151 Officer) | Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services. It also helps to keep insurance premiums and compensation payments to a minimum. |
| Legal Implications: (Authorised by the Borough Solicitor) | Demonstrates compliance with the Accounts and Audit Regulations 2015, which require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector auditing standards or guidance”. |
| Risk Management: | The services of the Risk Management and Audit Service Unit assists in providing the necessary levels of assurance that the significant risks relating to the Council's operations are being effectively managed and controlled. |
| Access to Information: | The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:-  Telephone: 0161 342 3846  e-mail: wendy.poole@tameside.gov.uk |

1. INTRODUCTION

1.1 *“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.*

1.2 The key elements of the definition are:-

- **Risk Management** – A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation’s objectives.
- **Control** – Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.
- **Governance** – The combination of processes and structures implemented by the Board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

1.3 The definition of Internal Auditing is defined by the Public Sector Internal Audit Standards 2017.

2. THE AUTHORITY FOR INTERNAL AUDIT

2.1 Local Government Act 1972 Section 151

“Every Local Authority shall make arrangements for the proper administration of its financial affairs and shall secure that one of its officers has responsibility for the administration of those affairs”.

The Council’s Constitution formally nominates the Assistant Executive Director of Finance as the Council’s Section 151 Officer who will rely on the work of the Internal Audit Service for assurance that the Council’s financial systems are operating satisfactorily.

2.2 Accounts and Audit Regulations 2015 Part 2, Section 3 – Responsibility for Internal Control

A relevant authority must ensure that it has a sound system of internal control which:-

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

2.3 Accounts and Audit Regulations 2015 Part 2, Section 5 – Internal Audit

- (1) A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- (2) Any officer or member of a relevant body must, if required to do so for the purpose of the internal audit:-
 - (a) Make available such documents and records; and
 - (b) Supply such information and explanation;as are considered necessary by those conducting the internal audit.
- (3) In this regulation “documents and records” includes information recorded in an electronic form.

This is supported by the Council's Financial Regulations, which reflect Internal Audit's statutory authority to review and investigate all areas of the Council's activities in order to ensure that the Council's interests are protected.

2.4 **Accounts and Audit Regulations 2015 Section 6 – Review of Internal Control System**

- (1) A relevant authority must, each financial year:-
 - (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an annual governance statement.
- (2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must:-
 - (a) consider the findings of the review required by paragraph (1)(a):-
 - (i) by a committee; or
 - (ii) by members of the authority meeting as a whole; and
 - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of:-
 - (i) a committee; or
 - (ii) members of the authority meeting as a whole.
- (3) Relates to Category 2 authorities and not applicable to the Council.
- (4) The annual governance statement, referred to in paragraph (1)(b) must be:-
 - (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
 - (b) prepared in accordance with proper practices in relation to accounts(a).

2.5 The Terms of Reference for the Audit Panel adequately meet the requirements of the Accounts and Audit Regulations.

2.6 The review of the effectiveness of the system of internal control referred to in paragraph 2.4 has been conducted and a separate report is on the agenda.

3. KEY ACHIEVEMENTS DURING 2015/2016

3.1 The major achievements of the Service Unit for 2016/2017 are as follows:-

- 93% of planned audits were delivered.
- 92% of audit recommendations made have been implemented.
- Customer feedback is very positive with continued high levels of satisfaction demonstrated on customer questionnaires.
- Annual reports, plans and regular progress reports presented to Members via the Audit Panel and the Greater Manchester Pension Fund Local Board.
- The Annual Governance Statement was produced in accordance with best practice and agreed timescales and no adverse comments were received when our External Auditors (Grant Thornton) reviewed it.
- The National Anti-Fraud Network service was further redesigned during the year to add three posts to the establishment of a Business Development Manager and two Administrative Support Officers.
- Twenty seven fraud cases were investigated during the year.
- One Direct Payment Fraud was prosecuted through the courts this year and the defendant received a sixteen month custodial sentence suspended for two years and was ordered to repay the overpayment of £53,000.

- A Procurement Fraud was also prosecuted through the courts and the defendant received a twenty month custodial sentence. The value of the fraud was £102,000, and a Proceeds of Crime Act Hearing is still outstanding where the financial situation of the defendant will be assessed and a repayment order determined.

4. COVERAGE FOR 2016/2017

4.1 The report presented to the Audit Panel in May 2016 provided an overview of the work planned for 2016/2017 for the service unit. The Original Audit Plan of 1,798 days was detailed in the report and approved by the Panel. The plan however as reported during the year has been revised on a regular basis to ensure that it is aligned to changes in service priorities, risks, directorate structures and resources available.

4.2 Table 1 below shows the full year position of the audit plan by Directorate/Service Area. It details the approved plan, the revised plan, the actual days as at 31 March 2017 and the percentage completed.

Table 1 – Annual Audit Plan Progress as at 31 March 2017

| Service Area | Approved Plan May 2016 | Revised Plan 2016/17 | Actual Days To 31 March 2017 | % Complete |
|-----------------------------|------------------------|----------------------|------------------------------|------------|
| People | 250 | 217 | 178 | 82 |
| Public Health | 51 | 43 | 42 | 98 |
| Place | 222 | 173 | 173 | 100 |
| Governance/Resources | 262 | 210 | 203 | 97 |
| Schools | 175 | 224 | 208 | 93 |
| Cross Cutting | 63 | 44 | 42 | 95 |
| Pension Fund | 300 | 300 | 268 | 89 |
| Planned Days 2015/16 | 1,323 | 1,211 | 1,114 | 92 |
| Fraud Work | 475 | 475 | 478 | 101 |
| Total Days 2016/17 | 1,798 | 1,686 | 1,592 | 94 |

- 4.3 Resources on planned work reduced during the year for the following reasons:-
- A member of the team left as she obtained a promotion in another Greater Manchester Audit Team;
 - Part time working was approved for a member of the team;
 - The number of days allocated to training a new member of staff was underestimated; and
 - The resources needed to upgrade the Audit Management System Galileo were underestimated as a number of issues were identified once the system went live that needed to be addressed by the software provider.

These changes resulted in a reduction of 112 planned days from 1,323 to 1,211 and these changes were reported to the Panel in November 2016 and March 2017. In terms of the overall plan 1,592 actual days were delivered against a revised plan of 1,686.

- 4.4 The successful delivery of the plan can be measured in two ways:-
- Actual Productive Audit Days Delivered against the Plan
The days delivered against the plan, including Fraud Work totalled 1,592 compared to the revised plan of 1,686, which represents 94%.

- Percentage of Planned Audits Completed

The second measure focuses on the planned audits, and calculates the actual rate of completion per audit, and then consolidates the individual outcomes into one single percentage figure. The figure for 2016/17 is 93% compared to 94% in 2015/2016 and 92% in 2014/2015.

4.5 This following sections of the report provide details of the key areas covered during the period April 2016 to March 2017 and comment on any important issues arising from our work.

Financial Systems

4.6 During 2016/17 audits have been undertaken on the following financial systems to ensure they were operating securely, fit for purpose and that the information generated from them into the general ledger was reliable. Where issues were identified as part of the systems audit work, action plans were agreed with management and these will be followed up in due course:-

- General Ledger
- Capital Monitoring
- External Audit Checks – General Ledger and Payroll
- Better Care Fund

4.7 Post Audit Reviews have been completed for NNDR, Council Tax and Debtors and the majority of recommendations made have been implemented.

4.8 Audits were also undertaken on a number of the financial systems used by the Pension Fund. Where issues were identified as part of the systems audit work, action plans were agreed with management and these will be followed up in due course:-

- Pension Benefits Payable
- Debtors

4.9 In relation to the Pension Fund, Post Audit Reviews were undertaken on the Contribution Income, Creditors and Pensions Benefits Payable audits, and the majority of recommendations made have been implemented.

4.10 Sections 4.14 to 4.19 provide a flavour of the audit work undertaken in each directorate. The amount of time spent per audit can vary from a simple grant claim to a complex data assurance piece of work and the lists are not weighted and do not accurately reflect the days delivered in those areas.

4.11 People

Areas reviewed during the year have included:-

- Pupil Referral Service;
- Procurement of Placements for Children;
- Early Years Funding;
- Schools Cash Flow/Deficit Recovery Plans;
- Community Response Service;
- Integrated Urgent Care Team; and
- Troubled Families.

4.12 Place

Areas reviewed during the year have included:-

- Local Authority Bus Subsidy Grant;
- Pinchpoint Grant;
- Car Parking and Enforcement Income;
- Hattersley Collaboration Agreement;
- Device Management;

- Cyber Security; and
- Libraries – New System Sign Off.

4.13 **Public Health**

Areas reviewed during the year have included:-

- Ring-Fenced Public Health Grant;
- Information Governance;
- Contract Monitoring.

4.14 **Governance and Resources**

Areas reviewed during the year have included:-

- Revenue Expenditure/Payroll (External Audit Checks);
- Bank Transfer Arrangement Appointeeships/Deputyships;
- General Ledger;
- Monitoring of the Capital Programme;
- Payroll;
- Year End Compliance Checks for Greater Manchester Pension Fund;
- Review of Terms and Conditions; and
- Review of Car Allowances.

4.15 **Greater Manchester Pension Fund**

Areas reviewed during the year have included:-

- Debtors;
- Unitisation;
- Assurance visits to Contributing Bodies;
- Pension Benefits Payable;
- Application Review of Altair;
- Visit to Property Investment Manager (La Salle).

4.16 **Cross Cutting**

Areas reviewed during the year have included:-

- Data Barring Service Procedures; and
- Grant Certification work for the Combined Authority.

4.17 A summary of the audit opinions issued in relation to system based audit work for 2016/17 compared to 2015/16 and 2014/15 is shown in Table 2 below:-

Table 2 – Final Reports System Based Audits

| Opinion | Total for 2016/17 | % | Total for 2015/16 | % | Total for 2014/15 | % |
|----------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|
| High | 5 (4) | 20 | 6 (4) | 24 | 2 (2) | 14 |
| Medium | 13 (8) | 52 | 14 (3) | 56 | 8 (3) | 57 |
| Low | 7 (2) | 28 | 5 (0) | 20 | 4 (0) | 29 |
| Totals | 25 (14) | 100 | 25 (7) | 100 | 14 (5) | 100 |

Note: The figures in brackets in the above table relate to the Pension Fund

4.18 In addition to the twenty-five final reports issued above, a further seven draft reports have been issued for comments and management responses and these will be reported to the Panel in due course.

4.19 Twelve schools have been audited and final reports issued as part of our cyclical review programme during 2016/2017. A summary of the opinions issued for schools during 2016/2017 compared to 2015/16 and 2014/15 is shown in Table 2 below:-

Table 3 – Audit Opinions – Schools

| Opinion | Total for 2016/17 | % | Total for 2015/16 | % | Total for 2014/15 | % |
|---------------|-------------------|------------|-------------------|------------|-------------------|------------|
| High | 6 | 50 | 9 | 43 | 4 | 20 |
| Medium | 5 | 42 | 7 | 33 | 13 | 65 |
| Low | 1 | 8 | 5 | 24 | 3 | 15 |
| Totals | 12 | 100 | 21 | 100 | 20 | 100 |

- 4.20 A further four draft reports have been issued for comments and management responses and these will be reported to the panel in due course.
- 4.21 In addition to the reports issued in Tables 2 and 3, a significant number of days were allocated throughout the year to work that did not generate a report with a level of assurance attached. The reasons for this are:-
- Grant Certification;
 - Advice and consultancy work provided to support service redesigns and the implementation of new or updated systems; and
 - Investigation control reports.
- 4.22 It is important to note however, that whilst the above work does not generate an audit opinion it undoubtedly adds value to the Council. It ensures that expenditure is in accordance with grant conditions, that new/amended systems are introduced with satisfactory controls in place and that control issues identified as part of irregularity investigations are resolved to improve the control environment.
- 4.23 Thirty one Post Audit Reviews have been completed during the year and 92% of agreed recommendations have been implemented. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not been fully implemented. Four of these post audit reviews related to the Pension Fund and twenty one related to Schools.

5. ANTI-FRAUD WORK

5.1 Irregularity Investigations

Investigations are conducted by two members of the Internal Audit Team under the direction of a Principal Auditor and the Head of Risk Management and Audit Services to ensure consistency of approach. All cases were investigated using the approved standard protocol and procedure, which complies with best practice. A control report is produced in the majority of cases for management to ensure that corrective action is taken where possible to ensure that the control environment is improved therefore minimising the risk of similar irregularities occurring in the future.

- 5.2 All investigations and assistance cases are reviewed by the Standards Panel every month and where appropriate the members of the Panel challenge and comment on the cases and offer further guidance and direction. Assistance cases can range from obtaining information for an investigating officer to actually undertaking a large proportion of the analysis work to provide evidence for the investigatory process.

- 5.3 The number of cases investigated during the period April 2016 to March 2017 is summarised in Table 4 below.

Table 4 – Investigations Undertaken from April 2016 to March 2017

| Detail | No. of Cases |
|---------------------------------|--------------|
| Cases B/Forward from 2015/2016 | 12 |
| Current Year Referrals | 15 |
| Total | 27 |
| Cases Closed | 10 |
| Cases Still under Investigation | 17 |
| Total | 27 |

5.4 The above investigations can be categorised by fraud type as shown in Table 5 below.

Table 5 – Investigations by Fraud Type

| Fraud Type | No. of Cases | Value £ | Recovered To Date £ | Potential Annual Savings £ |
|---------------------------------------|--------------|----------------|------------------------------------|----------------------------|
| Direct Payment | 12 | 184,492 | 4,528 | 42,741 |
| Procurement/Duplicated Invoices Fraud | 3 | 101,950 | Awaiting Proceeds of Crime Hearing | |
| Misappropriation of Monies/Stock | 7 | 200 | - | - |
| Staff Conduct (Time/HB Fraud) | 3 | To Be Assessed | - | - |
| Misappropriation of Grant Monies | 2 | 41,766 | 20,000 | - |
| Total | 27 | 328,408 | 24,528 | 42,741 |

5.5 Seventeen of the above cases investigated involved frauds perpetrated against the Council by claimants or third parties. The figures shown in the Value and Potential Annual Savings column in Table 5 are estimated based on the information available to date. Several of the cases are still being investigated or prepared for prosecution and the value of the fraud could change as the case progresses. The ongoing savings are the value of the Direct Payments that have been stopped because of ongoing investigations.

5.6 One Direct Payment Fraud was prosecuted through the courts this year and the defendant received a sixteen month custodial sentence suspended for two years and was ordered to repay the overpayment of £53,000.

5.7 A Procurement Fraud was also prosecuted through the courts and the defendant received a twenty month custodial sentence. The value of the fraud was £102,000, and a Proceeds of Crime Act Hearing is still outstanding where the financial situation of the defendant will be assessed and a repayment order determined.

5.8 The processes in place within Internal Audit and across the Council to manage the risk of fraud and corruption are in accordance with the code of practice issued by the Chartered Institute of Public Finance and Accountancy in 2014 entitled “Managing the Risk of Fraud and Corruption”.

5.9 National Fraud Initiative

Work in ongoing in relation to the NFI 2016 Data Matching Exercise, which became available from January/February 2017 and Table 6 below summarises the results.

Table 6 – National Fraud Initiative Data Matches 2016

| NFI Data Set | Total Number of Matches | Number of Matches (Recommended) | Outcomes | |
|--|-------------------------|---------------------------------|-----------|-------------------------------|
| | | | Processed | No. of Error/Frauds and Value |
| Pensions to Department of Work and Pensions Deceased Persons | 936 | 559 | 0 | 0 |
| Housing Benefits to Student Loans | 67 | 16 | 0 | 0 |
| Housing Benefits to Payroll | 287 | 0 | 0 | 0 |
| Council Tax Reduction Scheme to Housing Benefit Claimants | 85 | 59 | 0 | 0 |
| Housing Benefit to In- Country Immigration | 1 | 1 | 0 | 0 |
| Blue Badge to Department of Work and Pensions Deceased | 43 | 42 | 0 | 0 |
| Private Residential Cares Homes to Department of Work and Pensions Deceased | 47 | 21 | 0 | 0 |
| Pensions to Payroll | 2,112 | 608 | 0 | 0 |
| Creditors Duplicate Records/Payments | 1,564 | 154 | 0 | 0 |
| Housing Benefits Claimants to Department of Work and Pensions Deceased Persons | 100 | 60 | 0 | 0 |
| Totals | 5,242 | 1,520 | 0 | 0 |

5.10 The expectation from the Cabinet Office is that all “Recommended Matches” are investigated. Updates will be provided to future meetings of the Audit Panel as the investigations are progressed.

6. NATIONAL ANTI-FRAUD NETWORK

6.1 With the transfer of all Housing Benefit Investigations now transferred to the Department of Works and Pensions, the National Anti-Fraud Network during 2016/17 concentrated on the processing of RIPA, Prevention of Social Housing Fraud Act, Council Tax Reduction Scheme and Driver and Vehicle Licensing Agency requests. The concerns that local authorities would not continue to support the organisation were unfounded as membership continues to grow.

6.2 The structure of the team was further reviewed and a revised structure was approved in December 2016, which introduced the post of Business Development Manager and two Administrative Support Officers.

6.3 The Council is now the single host organisation for the National Anti-Fraud Network and the service is part of the Risk Management and Audit Service Unit.

6.4 NAFN exists to support members in their protection of the public purse and acts as an Intelligence Hub providing a single point of contact for members to acquire data and

intelligence in support of investigations, enforcement action and debt collection. A breakdown of the membership is provided in Table 7 below:-

Table 7 – NAFN Membership

| Member Type | March 2017 | March 2016 | Target | % |
|--|------------|------------|--------|----|
| Local Authorities | 359 | 350 | 418 | 86 |
| Registered Social Landlords/Private Registered Providers | 47 | 48 | N/A | - |
| Department of Work and Pensions | 1 | 1 | N/A | - |
| Others | 11 | 11 | N/A | - |
| Totals | 418 | 410 | | |

- 6.5 As mentioned above the Marketing Plan is continuing to pay dividends as the service is continuing to attract new members from both local authorities and housing associations. Weekly marketing emails are being despatched to all registered users outlining the various services on offer to all members as the membership subscription provides corporate membership.
- 6.6 The number of requests received during 2016/17 as detailed in Table 8 below has decreased by 3% overall from 2015/2016.

Table 8 – NAFN Requests Received

| Type of Request | 2016/17 | 2015/16 | 2014/15 |
|---|----------------|----------------|----------------|
| General Data Protection Requests | 47,625 | 62,703 | 70,886 |
| Social Security Fraud Act | - | 11,219 | 50,878 |
| Driver and Vehicle Licensing Agency | 15,489 | 14,478 | 21,084 |
| Regulation of Investigatory Powers Act | 946 | 1,035 | 2,768 |
| Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme | 8,449 | 6,802 | 3,292 |
| Sub Total | 72,509 | 96,237 | 148,908 |
| Type B (Online) | 99,227 | 80,980 | 55,241 |
| Grand Total | 171,736 | 177,217 | 204,149 |
| % Increase/(Decrease) | (3%) | (13%) | (14%) |

- 6.7 The number of Regulation of Investigatory Powers Act requests continues to be a concern for the Executive Board and progress is being monitored on a quarterly basis. The introduction of the judicial review process is still affecting usage.
- 6.8 The increase in Type B (Online) requests is in line with the business plan. These provide direct access to services for members increasing the turnaround time for them and allowing the team to concentrate on the more complex requests received.

7. RISK MANAGEMENT AND INSURANCE

- 7.1 The approved priorities for 2016/2017 were:-
- To review the risk management system and facilitate the delivery of risk workshops for managers to enable risk registers to be updated.

- To facilitate the continued implementation of the Information Governance Framework by:-
 - Providing advice and guidance in relation to information governance;
 - Keeping the framework up to date and fit for purpose with any new guidance issued by the Information Commissioners Office (ICO);
 - Delivering and monitoring training for general users and for staff in high risk areas.
- To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with a capability to provide knowledge and information should a major incident occur.
- To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.

7.2 With regards to Information Governance, a number of the Information Governance Framework documents were refreshed during the year and presented to the Audit Panel in November 2016 for approval. The Information Governance Group continued to meet during the year to consider information governance issues and developments to ensure robust policy, procedures and protocols are in place.

7.3 Information was finalised for the insurance renewal process in the last quarter and renewal terms were offered and agreed by the deadline of 30 March 2017.

7.4 Progress was delayed in terms of reviewing the risk management and business continuity processes for the Council as the Risk and Insurance Manager who transferred to Greater Manchester Connect on secondment in October 2015 had his secondment extended and the Risk and Insurance Officer was on Maternity Leave from November 2016. This will be carried forward as a high priority for 2017/18. The service was managed and delivered by the Head of Risk Management and Audit with the support of an Apprentice from November 2016 onwards.

7.5 Advice and guidance has been delivered across the Council ensuring that proper insurance covers are in place and that risks are managed to an acceptable level. We have continued to work with our insurers, claims handlers and legal representatives to ensure that all claims (including the litigated claims) have a robust defence in place. Learning is also shared with services in year as a result of case conferences and court decisions to prevent reoccurrence or improve future defences.

8. PERFORMANCE INDICATORS

8.1 The performance of the section is monitored in a variety of ways and a number of indicators have been devised to enable comparisons between financial years and between similar organisations. Formal benchmarking using the Chartered Institute of Public Finance and Accountancy has not taken place for a number of years due to budget cuts and capacity, however, this is being reviewed by the North West Chief Audit Executive Group to determine if a small number of key performance indicators could be compared locally.

8.2 The Key Performance Indicators for Internal Audit for 2016/17 are detailed in Table 9 below and they are compared to the two previous years 2015/16 and 2014/15. Four out of five performance indicators have been achieved.

Table 9 - Key Performance Indicators 2016/17

| | INDICATOR | TARGET | 16/17 | 15/16 | 14/15 | Comments |
|---|--|------------------------------------|-------|-------|-------|---------------------|
| 1 | Compliance with Public Sector Internal Audit Standards | 100% | 100% | 100% | 100% | Target Achieved |
| 2 | % of Plan Completed | 90% | 93% | 94% | 92% | Target Achieved |
| 3 | Customer Satisfaction (per questionnaires) | 90% of customers "satisfied ≥ 65%" | 94% | 95% | 100% | Target Achieved |
| 4 | % Recommendations Implemented | 90% | 92% | 92% | 92% | Target Achieved |
| 5 | No. of Irregularities Reported/Investigated | Downward Trend | 15 | 14 | 19 | Target Not Achieved |

- 8.3 The aspiration for the team is that the targets are met and exceeded wherever possible however, it must be acknowledged that the measures used are not fully within the control of the team as explained below.
- 8.4 With regards to the Percentage of Plan Complete this a volatile indicator and affected by the timing of audits, staff availability in both internal audit and services areas to support the audit, reactive work (irregularities) and the timing of in year priority requests. Whilst every effort is made to ensure that the planned work is delivered, a surge in reported irregularities can adversely affect this, as it is important to provide a responsive service and divert staff from planned work to reactive work.
- 8.5 The Percentage of Recommendations Implemented indicator whilst demonstrating that the standard and quality of recommendations made are acceptable, their implementation is the responsibility of management and delays can occur for example due to lack of capacity, new systems and service redesigns.
- 8.6 The number of Irregularities Reported/investigated has increased from fourteen to fifteen, however this is a reactive indicator and not within the team's control.
- 8.7 The effectiveness of the team in terms of adding value to the Council is an important element of the role of internal audit (as per the definition outlined in section 1.1) and the service as a whole, however, it is extremely difficult to use quantitative indicators to measure this performance. Added value is demonstrated by the variety of work undertaken above, the responsive and flexible approach adopted, the positive comments and feedback received from auditees and the opinion of our External Auditors that they can place reliance on the work of Internal Audit.
- 8.8 The process and procedures in place within Internal Audit are continually reviewed and during 2016/17, the audit process was reassessed in advance of the upgrade to the Audit Management System Galileo to ensure efficiencies available in the new version can be captured going forward. A new report format has been designed in conjunction with Policy and Communications and this will be rolled out for reports issued from the 2017/18 Audit Plan.
- 8.9 As reported earlier on the agenda, the service is compliant with the Public Sector Internal Audit Standards (PSIAS) and as required, it is confirmed that the Internal Audit Team/Function has continued to remain independent of any non-audit operational responsibilities during 2016/17.

9. AUDIT OPINION BASED ON RESULTS OF 2016/17 ACTIVITY



- 9.1 The Audit Panel can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas reviewed, are suitably designed and applied effectively.
- 9.2 It has to be accepted that the gross risk for the Council has increased in recent years (as we have reduced capacity while still having to deliver a significant change programme to meet our financial challenges). The finding of our work is that controls are in place to mitigate these risks and where improvements have been highlighted, managers have agreed to implement the suggested recommendations. This will aid the management of risks and support the overall control environment.

10. RECOMMENDATION

- 10.1 Members note the report and the performance of the Service Unit during 2016/17.

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Agenda Item 10.

| | |
|--|--|
| Report To: | AUDIT PANEL |
| Date: | 30 May 2017 |
| Reporting Officer: | Ian Duncan – Assistant Executive Director (Finance) Wendy Poole – Head of Risk Management and Audit Services |
| Subject: | ANNUAL GOVERNANCE REPORT 2016/17 |
| Report Summary: | To present the Governance Report comprised of the two elements below for comment, challenge and approval: <ol style="list-style-type: none">1. The Draft Annual Review against the Code of Corporate Governance for 2016/17 (Appendix 1).2. The Draft Annual Governance Statement for 2016/17 (Appendix 2). |
| Recommendations: | <ol style="list-style-type: none">1. That members consider and approve the:-<ul style="list-style-type: none">• Draft Annual Review against the Code of Corporate Governance for 2016/17.• Draft Annual Governance Statement for 2016/17.2. Delegate authority to the Assistant Executive Director (Finance) to make further amendments to the Draft Annual Governance Statement upon receipt of further comments from the Executive Cabinet ahead of it being provided to External Audit. |
| Links to Community Strategy: | Demonstrates proper Corporate Governance. |
| Policy Implications: | Demonstrates proper compliance with the Accounts and Audit Regulations 2015. |
| Financial Implications: (Authorised by the Section 151 Officer) | Sound corporate governance and proper systems of internal control are essential for the long-term financial health and reputation of the Council. |
| Legal Implications: (Authorised by the Borough Solicitor) | The production of the Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015. |
| Risk Management: | The statement provides assurance that the Council has a sound system of corporate governance in place. It is considered to be an important public expression of how the Council directs and controls its functions and relates to its community. |
| Access to Information: | The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:-  Telephone: 0161 342 3846  e-mail: wendy.poole@tameside.gov.uk |

1. INTRODUCTION

- 1.1 Corporate Governance is the system by which the Council directs and controls its functions and relates to its community. This is the means by which sound and ethical practice can be assured and unacceptable practice identified and eradicated. Historically there has been a general recognition that all local authorities should be seen to meet the highest standards and governance arrangements possible.
- 1.2 The issues faced by local authorities in recent years reflecting social, economic, and legislative change have led to new, diverse ways of working as opposed to traditional roles. The common theme that continues to run through Government initiatives is the need for local authorities to review the various systems and processes they have in place for managing both their internal affairs and their relationships with their expanding number of key stakeholders. Together these systems comprise corporate governance.

2. CORPORATE GOVERNANCE REQUIREMENTS

- 2.1 The Framework Delivering Good Governance in Local Government, published by the Chartered Institute of Public Finance and Accountancy in association with Society of Local Authority Chief Executives in 2016, sets the standard for local authority governance in the UK. The Framework urges local authorities to review and report on the effectiveness of their governance arrangements.
- 2.2 The main principle underpinning the 2016 version of Delivering Good Governance in Local Government: Framework (2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 2.3 The core principles of the Framework are: -
 - Behaving with integrity, demonstrating strong commitment to ethical standards and respecting the rule of law;
 - Ensuring openness and comprehensive stakeholder engagement;
 - Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - Determining the intervention necessary to optimise the achievement of the intended outcomes;
 - Developing the entity's capacity including the capability of its leadership and the individuals within it;
 - Managing risks and performance through robust internal control and strong public financial management; and
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 2.4 The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are

crucial – local authorities must recognise the need to focus on the long term. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.

2.5 The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:-

- reviewing existing governance arrangements;
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness; and
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

3. ANNUAL REVIEW AGAINST THE CODE OF CORPORATE GOVERNANCE

3.1 A review has been completed assessing the Council's position against the approved Code of Corporate Governance in order to demonstrate compliance, ongoing developments/improvement and to prepare for the compilation of this year's Annual Governance Statement and Statement of Assurance, which is required, by the Accounts and Audit Regulations 2015.

3.2 The document was presented to the Single Commissioning Management Team on 2 May for review and the draft annual review for 2016/17 incorporating all comments received is detailed at **Appendix 1**.

4. ANNUAL GOVERNANCE STATEMENT

4.1 The preparation and publication of an Annual Governance Statement is necessary to meet the requirements set out in Regulation 6 of the Accounts and Audit Regulations 2015. It requires authorities to "conduct a review at least once in a year of the effectiveness of its system of internal control" and "following the review, the body must approve an annual governance statement prepared in accordance with proper practices in relation to internal control".

4.2 The Draft Annual Governance Statement for 2016/17 which has been drawn up using the guidance contained within Delivering Good Governance in Local Government - Framework issued in 2016 is attached at **Appendix 2** for consultation and challenge.

4.3 The Annual Governance Statement is a corporate statement and covers both Tameside and the Greater Manchester Pension Fund.

4.4 The Annual Governance Statement is based on:-

- AGS Self-Assessment Checklists and signed Assurance Statements;
- Head of Audit's Annual Report;
- Review of Internal Audit;
- Annual Audit Letter;
- Role of the Chief Financial Officer;
- Role of the Head of Internal Audit;

- Corporate Plan; and
- Statutory Inspections.

4.5 This list is not exhaustive but it details the key elements of the assurance framework used to support the production of the Annual Governance Statement.

4.6 The Draft Annual Governance Statement 2016/17 has been presented to the Single Commissioning Management Team and their comments have been incorporated into the document, together with those received from Policy and Communications.

5. CODE OF CORPORATE GOVERNANCE

5.1 The Code of Corporate Governance which complies with the Delivering Good Governance Framework of 2016 was approved in May 2016 as a three year document. No updates are required.

6. EXECUTIVE CABINET

6.1 As in previous years this report will be circulated to the Executive Cabinet after the meeting by email for comments and any feedback will be incorporated into the documents.

7. EXTERNAL AUDIT

7.1 The Draft Annual Governance Statement incorporating all updates will be signed off by the Assistant Executive Director (Finance) by 31 May for submissions to Grant Thornton (External Auditors) as it needs to accompany the Draft Statement of Accounts.

7.2 The final version incorporating any comments from Grant Thornton will be presented to the Overview (Audit) Panel on 31 July for approval. It will then be signed by the Executive Leader and the Chief Executive and presented formally to Grant Thornton. Until this date the Annual Governance Statement is a live document and needs to be updated for any issues that come to light affecting the governance arrangements in place.

8. RECOMMENDATIONS

8.1 That members consider and approve the:-

- Draft Annual Review against the Code of Corporate Governance for 2016/17.
- Draft Annual Governance Statement for 2016/17.

8.2 Delegate authority to the Assistant Executive Director (Finance) to make further amendments to the Draft Annual Governance Statement upon receipt of further comments from the Executive Cabinet ahead of it being provided to External Audit.

DRAFT REVIEW AGAINST THE
CODE OF CORPORATE
GOVERNANCE
2016-17

Introduction

The main principle underpinning the development of the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.

The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help Individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:

- reviewing existing governance arrangements
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The term 'local code' essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.

To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.

It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

Principles of Good Governance

Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Key Evidence to Support Compliance | Additional Work Identified |
|--------------------------------|---|---|----------------------------|
| Behaving with integrity | Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation. | <ul style="list-style-type: none"> • Member Code of Conduct • Officer Code of Conduct • Standards Committee • Induction • Annual Development Reviews | |
| | Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles). | <ul style="list-style-type: none"> • Corporate Plan • Executive Leader's Annual Key Note Address • Constitution | |
| | Leading by example and using these standard operating principles or values as a framework for decision making and other actions. | <ul style="list-style-type: none"> • Council Constitution – Article 18 Decision Making • Declaration of Interests at meetings • Standards Committee | |
| | Demonstrating, communicating and embedding the standard operating | <ul style="list-style-type: none"> • Whistleblowing Policy • Anti-Fraud, Bribery and Corruption Strategy - | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Key Evidence to Support Compliance | Additional Work Identified |
|--|---|---|----------------------------|
| | principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively. | Statement of Intent <ul style="list-style-type: none"> • Register of Gifts and Hospitality • Register of Interests • Complaints Policy • Codes of Conduct • Agendas/Minutes for Meetings | |
| Demonstrating strong commitment to ethical values | Seeking to establish, monitor and maintain the organisation's ethical standards and performance. | <ul style="list-style-type: none"> • Scrutiny function • Standards Committee • Constitution - Decision Making | |
| | Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. | <ul style="list-style-type: none"> • Chief Executive's Brief • The Wire • Team Briefings • Management Training – Strive Programme | |
| | Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values. | <ul style="list-style-type: none"> • Annual Development Review Process • Standards Committee • Recruitment Policies • Constitution | |
| | Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation. | <ul style="list-style-type: none"> • Requirements built into contracts and agreements. | |
| Respecting the rule of law | Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations. | <ul style="list-style-type: none"> • Constitution • Statutory Guidance • Qualified Officers in post • Circulation of Legal Updates | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Key Evidence to Support Compliance | Additional Work Identified |
|-----------------------|---|---|----------------------------|
| | Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. | <ul style="list-style-type: none"> • Statutory Officer roles • Job Descriptions/Person Specifications • Scheme of Delegation • Compliance with CIPFA's Statement on the role of the Chief Financial Officer in Local Government (CIPFA, 2015) | |
| | Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. | <ul style="list-style-type: none"> • Legal Implications are provided on all reports presented to Panels/Committees and Full Council. | |
| | Dealing with breaches of legal and regulatory provisions effectively. | <ul style="list-style-type: none"> • Monitoring Officer provisions • Legal Implications provided • Statutory provisions • External/Internal Audit and Statutory Inspections | |
| | Ensuring corruption and misuse of power are dealt with effectively. | <ul style="list-style-type: none"> • Anti-Fraud, Bribery and Corruption policies and procedures • Internal Audit Assurance | |

Principle B - Ensuring openness and comprehensive stakeholder engagement.

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

| Supporting-Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|-----------------------|---|--|----------------------------|
| Openness | Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness. | <ul style="list-style-type: none"> • Council Website • Corporate Plan • Freedom of Information Act • Transparency Pages | |
| | Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided. | <ul style="list-style-type: none"> • Constitution – Article 18 Decision Making • Agendas/Minutes for Meetings are published on the Council's Website • Full Council Meetings are streamed on Social Media. | |
| | Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. | <ul style="list-style-type: none"> • Constitution – Article 18 Decision Making • Report Templates • Legal/Financial Implications provided on all reports provided to decision makers • Meeting date for Full Council, Panels and committees published on website • Constitution - Access To Information Procedure Rules • Agenda deadlines provided and adhered to | |
| | Using formal and informal consultation and engagement to determine the most appropriate and effective | <ul style="list-style-type: none"> • Corporate Plan • Consultation – Big Conversation • Town Councils | |

| Supporting-Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|---|---|---|----------------------------|
| | interventions/courses of action. | | |
| Engaging comprehensively with institutional stakeholders | Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. | <ul style="list-style-type: none"> • Communication Strategy • Service Area Plans • Corporate Plan | |
| | Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively | <ul style="list-style-type: none"> • Specific Partnership Agreements • Budget Report | |
| | Ensuring that partnerships are based on: <ul style="list-style-type: none"> • Trust • a shared commitment to change • a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit. | <ul style="list-style-type: none"> • Partnership Agreements | |
| Engaging with individual citizens and service users Effectively. | Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. | <ul style="list-style-type: none"> • Consultation – Big Conversation • Town Councils • Specific Partnership Agreements | |

| Supporting-Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|-----------------------|--|---|----------------------------|
| | Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement. | <ul style="list-style-type: none"> • Communications strategy | |
| | Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. | <ul style="list-style-type: none"> • Communications Strategy • Joint Strategic Needs Assessment | |
| | Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account. | <ul style="list-style-type: none"> • Communication Strategy • Complaints Procedure • Citizen Magazine | |
| | Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity | <ul style="list-style-type: none"> • Consultation • AGMA Meetings • Council/Health Meetings | |
| | Taking account of the interests of future generations of tax payers and service users. | <ul style="list-style-type: none"> • Corporate Plan • Service Plans • Joint Strategic Needs Assessment | |

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.

The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

| Supporting-Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|-----------------------|--|--|----------------------------|
| Defining outcomes | Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions. | <ul style="list-style-type: none"> • Corporate Plan • Executive Leader’s Annual Key Note Address | |
| | Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer. | <ul style="list-style-type: none"> • Corporate Plan • Community Engagement • Service Plans • Town Councils | |
| | Delivering defined outcomes on a sustainable basis within the resources that will be available. | <ul style="list-style-type: none"> • Medium Tern Financial Strategy • Annual Budget Report • Monitoring Reports | |
| | Identifying and managing risks to the achievement of outcomes. | <ul style="list-style-type: none"> • Risk Management Policy and Strategy • Performance Reports • Risk Management Comments on all reports to decision makers | |
| | Managing service users expectations effectively with regard to determining | <ul style="list-style-type: none"> • Corporate Plan • Service Plans | |

| Supporting-Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|--|---|---|----------------------------|
| | priorities and making the best use of the resources available. | <ul style="list-style-type: none"> • Executive Leaders Key Note Address • Performance Indicators | |
| Sustainable economic, social and environmental benefits | Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision. | <ul style="list-style-type: none"> • Legal/Financial Implications on all reports provided to decision makers • Service Plans • Medium Term Financial Strategy • Budget Report | |
| | Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints. | <ul style="list-style-type: none"> • Joint working • Medium Term financial Strategy • Consultation • Decision Making reports/minutes are published on Website • Forward Plan | |
| | Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs. | <ul style="list-style-type: none"> • Consultation • Constitution Article 18 - Decision making | |
| | Ensuring fair access to services. | <ul style="list-style-type: none"> • Corporate Equality Scheme • Equality Impact Assessments | |

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|----------------------------------|--|--|----------------------------|
| Determining interventions | Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided. | <ul style="list-style-type: none"> • Constitution Article 18 – Decision making • Forward Plan • All reports to decision makers have legal/financial and risk management comments • External Audit – Value for Money Conclusion | |
| | Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts. | <ul style="list-style-type: none"> • Consultation Feedback • Medium Term Financial Strategy • Complaints/Service Requests • Revenue/Capital Monitoring | |
| Planning interventions | Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets. | <ul style="list-style-type: none"> • Meeting dates published • Forward Plan • Service planning process | |
| | Engaging with internal and external stakeholders in determining how | <ul style="list-style-type: none"> • Communication Strategy | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|-----------------------|---|---|----------------------------|
| | services and other courses of action should be planned and delivered. | | |
| | Considering and monitoring risks facing each partner when working collaboratively including shared risks. | <ul style="list-style-type: none"> • Specific Partnership Agreements • Risk Registers | |
| | Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances. | <ul style="list-style-type: none"> • Service Planning | |
| | Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. | <ul style="list-style-type: none"> • Service Planning • Performance Indicators • Annual Report | |
| | Ensuring capacity exists to generate the information required to review service quality regularly. | <ul style="list-style-type: none"> • Performance indicators are reported, benchmarking is undertaken and corrective action taken where necessary | |
| | Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan. | <ul style="list-style-type: none"> • Budget Consultation • Corporate Plan • Medium Term Financial Strategy • Budget Report • Executive Member Consultation | |
| | Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. | <ul style="list-style-type: none"> • Corporate Plan • Medium Term Financial Strategy • Budget Report | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|--|--|--|----------------------------|
| Optimising achievement of intended outcomes | Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. | <ul style="list-style-type: none"> • Annual Budget Report • External Auditor Letter/Report | |
| | Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. | <ul style="list-style-type: none"> • Budget Guidance • Officer/Executive Member Consultation | |
| | Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage. | <ul style="list-style-type: none"> • Revenue/Capital Monitoring • Review of Medium Term Financial Strategy | |
| | Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes". | <ul style="list-style-type: none"> • Budget Report • Statement of Accounts | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|---|---|--------------------------------|----------------------------|
| Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it. | | | |
| <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p> | | | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|---|--|---|----------------------------|
| Developing the entity's capacity | Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness. | <ul style="list-style-type: none"> • Revenue/Capital Monitoring • Service Reviews • Performance Reports | |
| | Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently. | <ul style="list-style-type: none"> • Benchmarking undertaken where applicable. | |
| | Recognising the benefits of partnerships and collaborative working where added value can be achieved. | <ul style="list-style-type: none"> • Health and Social Care Partnership Board • Health and Well Being Board • Single Commissioning Board • Tameside Adults Safeguarding Partnership Board • Tameside Children Safeguarding Board | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|---|--|---|----------------------------|
| | Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources. | <ul style="list-style-type: none"> • Workforce Plan • Service Plans • Organisational Development Plan (Getting into Gear) | |
| Developing the capability of the entity's leadership and other individuals | Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. | <ul style="list-style-type: none"> • Job Descriptions • Member Portfolios • Constitution Article 17 - Officers • Constitution - Appointment of Statutory and Proper Officers | |
| | Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. | <ul style="list-style-type: none"> • Constitution – Article 18 Decision Making • Constitution - Terms of Reference and Scheme of Delegation • Financial Regulations • Procurement Standing Orders | |
| | Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority. | <ul style="list-style-type: none"> • Member Portfolios • Constitution Article 17 - Officers • Constitution - Appointment of Statutory and Proper Officers | |
| | Developing the capabilities of members and senior management to achieve effective shared leadership and to | <ul style="list-style-type: none"> • Annual Development Reviews • Member Development • Organisational Development (Getting into | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|-----------------------|--|--|----------------------------|
| | <p>enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> • ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged. • ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis • ensuring personal, organisational and system wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. | <p>Gear)</p> <ul style="list-style-type: none"> • Induction programme for Staff • Induction programme for Members • Member/Senior Officer Development Days • Scrutiny Panels | |
| | Ensuring that there are structures in place to encourage public participation. | <ul style="list-style-type: none"> • Town Councils • The Big Conversation • Citizen Magazine | |
| | Taking steps to consider the | <ul style="list-style-type: none"> • Annual Development Reviews | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|-----------------------|--|--|----------------------------|
| | leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections. | <ul style="list-style-type: none"> • Supervision Meetings • Executive Member Annual Reports | |
| | Holding staff to account through regular performance reviews which take account of training or development needs. | <ul style="list-style-type: none"> • Annual Development Reviews • Supervision Meetings • Organisational Development – Getting into Gear | |
| | Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. | <ul style="list-style-type: none"> • Health and Wellbeing pages on Staff Portal • Chief Executive's Brief • The Wire • Strive Management Development Programme | |

Principle F - Managing risks and performance through robust internal control and strong public financial management.

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional work Identified |
|-----------------------------|--|--|----------------------------|
| Managing risk | Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making. | <ul style="list-style-type: none"> • Risk Management Policy and Strategy • All reports to Council, Panels and Committees have to include risk management comments. | |
| | Implementing robust and integrated risk management arrangements and ensuring that they are working effectively. | <ul style="list-style-type: none"> • Risk Management Policy and Strategy reviewed annually. | |
| | Ensuring that responsibilities for managing individual risks are clearly allocated | <ul style="list-style-type: none"> • Risk Management Policy and Strategy | |
| Managing performance | Monitoring service delivery effectively including planning, specification, execution and independent post implementation review. | <ul style="list-style-type: none"> • Service Plans • Performance indicators • Budget Monitoring • Benchmarking | |
| | Making decisions based on relevant, | <ul style="list-style-type: none"> • Publication of agendas and minutes of | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional work Identified |
|--------------------------------|---|---|----------------------------|
| | clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook | meetings <ul style="list-style-type: none"> • All reports to Council, Panels and Committees have to include legal, financial and risk management comments. • Agenda Preparation Timetables in place. | |
| | Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (OR, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making. | <ul style="list-style-type: none"> • Scrutiny Function • Agendas and minutes of Scrutiny Panels • Scrutiny Panel Terms of Reference • Forward Plan • Scrutiny Annual Report • Constitution – Article 18 Decision Making | |
| | Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement. | <ul style="list-style-type: none"> • Agenda Preparation Timetable • Constitution - Access To Information Procedure Rules | |
| | Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). | <ul style="list-style-type: none"> • Financial Regulations • Procurement Standing Orders • Revenue/Capital Monitoring • Strategic Planning and Capital Monitoring Panel | |
| Robust internal control | Aligning the risk management strategy | <ul style="list-style-type: none"> • Risk Management Policy and Strategy | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional work Identified |
|-----------------------|---|---|----------------------------|
| | and policies on internal control with achieving the objectives. | <ul style="list-style-type: none"> • Audit Plan • Audit Reports | |
| | Evaluating and monitoring the authority's risk management and internal control on a regular basis. | <ul style="list-style-type: none"> • Audit Plan • Risk Management Policy and Strategy reviewed annually • Progress Reports presented to the Audit Panel • Annual Report from Head of Risk Management and Audit Services | |
| | Ensuring effective counter fraud and anti-corruption arrangements are in place. | <ul style="list-style-type: none"> • Fraud function compliant with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014) | |
| | Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. | <ul style="list-style-type: none"> • Annual Governance Statement • Public Sector Internal Audit Standards • Progress Reports presented to the Audit Panel • Annual Report from Head of Risk Management and Audit Services | |
| | Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> • provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment • that its recommendations are listened to and acted upon. | <ul style="list-style-type: none"> • Audit Panel Terms of Reference • Agendas and Minutes published | |
| Managing data | Ensuring effective arrangements are in | <ul style="list-style-type: none"> • Information Governance Framework | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional work Identified |
|---|---|--|----------------------------|
| | place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. | <ul style="list-style-type: none"> Information Governance Group | |
| | Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies. | <ul style="list-style-type: none"> Data Sharing Protocol Advice from Legal and Risk Management provided Project Groups established | |
| | Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring. | <ul style="list-style-type: none"> Internal Audit Plan | |
| Strong public financial management | Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance. | <ul style="list-style-type: none"> Medium Term Financial Strategy Budget report Revenue/Capital Monitoring All reports presented to Council, Panels and Committees require Financial Comments | |
| | Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. | <ul style="list-style-type: none"> Qualified Managers in post. Budget report Financial Business Partners work with Directorates Revenue/Capital Monitoring Internal Audit Reports External Audit Letter/Report | |

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|---|--|--|----------------------------|
| Implementing good practice in transparency | Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. | <ul style="list-style-type: none"> • Council Website • Transparency Pages • Annual reports | |
| | Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. | <ul style="list-style-type: none"> • Statement of Accounts • Annual Report | |
| Implementing good practices in reporting | Reporting at least annually on performance, value for money and the stewardship of its resources. | <ul style="list-style-type: none"> • External Audit Letter/Report • Statement of Accounts • Annual Report | |
| | Ensuring members and senior management own the results. | <ul style="list-style-type: none"> • Minutes of Meetings • Job Descriptions • Member Portfolios | |
| | Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the | <ul style="list-style-type: none"> • Annual Governance Statement | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|---|---|---|----------------------------|
| | results on this assessment including an evidence to demonstrate good governance (annual governance statement). | | |
| | Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate. | <ul style="list-style-type: none"> • Annual Governance Statement | |
| | Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations. | <ul style="list-style-type: none"> • Statement of Accounts • External Audit Letter/Report • Deadlines in place • Qualified officers in post | |
| Assurance and effective accountability | Ensuring that recommendations for corrective action made by external audit are acted upon. | <ul style="list-style-type: none"> • Minutes from Executive Cabinet/Audit Panel Meeting • Internal Audit Plan | |
| | Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon. | <ul style="list-style-type: none"> • Internal Audit - Post Audit Reviews • Progress reports presented to the Audit Panel • Annual Report from Head of Risk Management and Audit presented to Audit Panel | |
| | Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations | <ul style="list-style-type: none"> • Action plans are formulated to ensure recommendations are implemented, e.g. Ofsted Inspection of Childrens Services | |
| | Gaining assurance on risks associated with delivering services through third | <ul style="list-style-type: none"> • Annual Governance Statement | |

| Supporting Principles | Behaviours and Actions that Demonstrate Good Governance in Practice | Evidence to Support Compliance | Additional Work Identified |
|-----------------------|---|---|----------------------------|
| | parties and that this is evidenced in the annual governance statement. | | |
| | Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met. | <ul style="list-style-type: none"> • Specific Partnership Agreements • Partnership Boards | |

Draft
Annual Governance Statement
2016/2017

This is a signed statement by the Executive Leader and Chief Executive certifying that governance arrangements are adequate and operating effectively within the Council.

1. Scope of Responsibility

Tameside MBC (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in good time, and in a fair, open, honest and accountable way. The Council has approved and introduced a Code of Corporate Governance.

This Annual Governance Statement explains how we have followed the above Code and the requirements of the Accounts and Audit (England) Regulations 2015.

The Council, in accordance with the Local Government Pension Scheme (LGPS) Regulations, which are written by the Department for Communities and Local Government (DCLG) and passed by Parliament, administers the Greater Manchester Pension Fund (GMPF).

The Council delegates the function in relation to maintaining the GMPF to the following:-

- Pension Fund Management Panel
- Pension Fund Advisory Panel
- Pension Fund Working Groups
- The Executive Director of Pensions
- The Local Pensions Board

The Management Panel is chaired by the Executive Leader of the Council and all Panels and Working Groups have elected members from the other nine Greater Manchester Authorities, as the fund is accountable to its member Authorities. The Local Board has an equal number of scheme employer and scheme member representatives. Whilst the GMPF has different governance arrangements to other Council Services (which are all detailed on its website), all officers are employees of the Council and therefore comply with the Council's Code of Corporate Governance and Constitution. Specific reference will not be made to GMPF throughout the Annual Governance Statement, unless appropriate to do so, as it is considered to be part of the Council.

2. The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective, services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of

those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Council for the year ended 31 March 2017, and up to the date of approval of the annual accounts.

3. Governance Framework

Developing codes of conduct which define standards of behaviours for members and staff and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.

Members and Officers are governed by Codes of Conduct, Cabinet Portfolios, contracts of employment, employment rules and procedures, Professional Codes of Conduct and bound by the Constitution and Code of Corporate Governance. Conflicts of interest are recorded in the minutes of all meetings, where applicable, and a register is maintained for both members and officers by the Monitoring Officer.

The Council is committed to leading on and maintaining the highest standards of behaviour and in support of this hosts and chairs the National Anti-Fraud Network (NAFN). In addition to those mentioned above, documentation to eliminate corruption includes Procurement Standing Orders, Financial Regulations, Terms of Reference, Protocols for Gifts and Hospitality and Standards of Conduct and Ethics.

The Council has a published Whistleblowing Policy on its public website and awareness and updates are provided in the Wire. Allegations received are investigated by either the Monitoring Officer or Internal Audit.

Such guidance is accompanied by training and communications. The work of the Monitoring Officer, Standards Committee and the Standards Panel are fundamental in defining, achieving and monitoring high standards.

Ensuring compliance with relevant law and regulations, internal policies and procedures, and that expenditure is lawful.

All reports to Senior Managers, Board, Panels, Working Groups, Council and for Key/Executive Decisions are subject to review by the Executive Director (Governance, Resources and Pension), as the Monitoring Officer and the Assistant Executive Director (Finance), as the Section 151 Officer. Internal Audit assesses compliance with internal policies on an ongoing basis and annually all members of the Executive Team sign an Assurance Statement and complete a self-assessment checklist, which includes questions on the above issues.

Standing Orders, Financial Regulations and the Scheme of Delegation are all reviewed and updated regularly and presented to the Council for approval. All decisions of the Council are minuted and available on the website. Supporting procedure notes/manuals to manage risks and ensure consistency of approach are updated regularly and checked as part of the internal audit process.

The Medium Term Financial Strategy, the Budget Report and a detailed monitoring regime for both revenue and capital expenditure, together with the Section 151 Officer and Monitoring Officer, ensures that expenditure is lawful. Officers of the Council are well trained, competent in their areas of expertise and governed by rules and procedures. Officers have regular supervision meetings to ensure that performance is satisfactory and the attendance at training seminars/courses ensures that officers are up to date with developments in their areas of expertise.

Documenting a commitment to openness and acting in the public interest.

The Council's Constitution - Access to Information Procedure Rules outlines access to Council meetings, agendas and minutes, so that members of the public can be involved in the governance arrangements of the Council.

In response to the government's desire for increased transparency, the Local Government Transparency Code was published in October 2014 and the Council now produces open data, examples of which are; Expenditure over £500, procurement information, payment of undisputed invoices within 30 days, members allowances, salaries and wages information and fraud data.

Tameside also has a number of Town Councils in place which allow members of the public to participate in the decision making process and the Big Conversation which provides residents and service users the opportunity to express their views and opinions about the services they use and how they can be delivered.

Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

The Council needs to set out a clear vision that members, employees and the public can identify with and help deliver as public services are changing rapidly due to new legislation and funding cuts. The vision detailed below is set out in the Corporate Plan 2016/21 which can be found [here](#).

The Council as a representative body exists to maximise the wellbeing and health of the people within the borough:-

- Supporting economic growth and opportunity;
- Increasing self-sufficiency and resilience of individuals and families; and
- Protecting the most vulnerable.

Everything the Council does will aim to make this vision a reality by focusing resources on what matters. The core purpose and values put people at the forefront of services to ensure that every decision made supports economic growth and self-sufficiency. The aim is to work with residents by asking them to take on greater responsibility in their families, communities and area, supporting them when they need help.

No one organisation can achieve the change aimed for on its own. The Council and its partners are committed to working together along with the people of Tameside to achieve lasting change for the borough.

The Care Together Programme Board was established in summer 2015, to ensure the smooth transition from the current to the new system of health and care. Its responsibilities include managing risks; ensuring patient quality and safety is at the heart of all the changes, overseeing the development of the models of care and engaging staff and the public. The Board meets on a regular basis and reports to the Health and Wellbeing Board, the body responsible for improving the health and wellbeing of the people of Tameside and Glossop.

The landscape the Council operates in has changed significantly over the last 5 years and this has impacted significant on how the Council delivers against its objectives. The Spending Review of 2015, the Local Government Finance Settlement and key legislation like the Localism Act and the Care Act have all had implications for the work of the Council.

The development of the Council's strategic approach through the Corporate Plan has been informed by a number of factors not least the following (although this list is not exhaustive):-

- Ongoing engagement between the Council and local people;
- Budget Consultation 2015/16 and 2016/17;

- Big Conversation – service specific consultations to inform service redesign;
- Public Service Reform;
- Greater Manchester Devolution Agreement;
- Greater Manchester Health and Social Care Devolution;
- Care Together (health and social care integration);
- Medium Term Financial Strategy, and
- Vision Tameside.

The Tameside pledges are a commitment to deliver work on a number of priority areas that have been identified as being of importance to Tameside Residents. Each of the pledges is delivered through a bespoke programme of activity centring on areas that local residents tell us are important to them, such as supporting local businesses, cleaning up local grot spots and the improvement of recycling facilities. The pledges are:-

- | | |
|--------------------------------|------------------------------|
| • Honour Our Fallen | • Generation Savers |
| • Pothole Buster | • Every Child a Coder |
| • Lots More Lighting | • Get Connected |
| • Big clean Up | • Silver Surfers |
| • Get Tameside Growing | • Healthy Lives |
| • Woodland for Wildlife | • Mind Your Health |
| • Keeping it Green | • Dementia Friendly Tameside |
| • Refresh Tameside Works First | • Do more Together |

Translating the vision into courses of action for the Council, its partnerships and collaborations.

The Tameside Corporate Plan 2016/21 is the Borough’s plan to maximise the wellbeing and health of the people within the Borough. Working with partners across public services, industry, commerce, the community and voluntary sectors the vision is translated into objectives which are detailed service plans, team plans, and individual development plans.

The Care Together Programme and the creation of an integrated system of health and social care brings together Tameside and Glossop Clinical Commissioning Group, Tameside Metropolitan Borough Council and Tameside and Glossop Integrated Care NHS Foundation Trust to reform health and social care services to improve the health outcomes of our residents and reduce health inequalities.

Vision Tameside and Ashton Old Baths are examples of the major projects that the Council has, and is continuing to deliver, with partners that demonstrate that it has translated its vision into objectives.

Educational attainment levels in Tameside are a key priority and 57.3% of pupils achieved 5 or more GCSE’s at grades A*-C (including English and Maths) in the 2016 results. 63.1% of pupils achieved an A*-C in both English and Maths which is an improvement of 3% on 2015.

The GMPF helps to support the Council’s vision and its objectives are detailed in service plans which are presented to Working Groups and the Management/Advisory Panel. In conjunction with West Yorkshire Pension Fund and Merseyside Pension Fund the Northern Pool has been approved by Government which creates a £35 billion asset pool, providing greater scope to allow the funds to invest in major regional and national infrastructure projects.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

Significant improvements in the quality of life for our residents will only be achieved through effective partnership working. This involves working together through a shared vision for the future

of the borough, to create a prosperous economy where people learn and achieve, feel safe and healthy, and, take active responsibility for their environment.

The Corporate Plan is the key document that communicates the vision for Tameside, and the delivery of the vision is supported by outcome specific networks, joint teams and partnerships.

In addition to the website, the Council has embraced social media (Facebook, Twitter and Instagram) as modern communication channels to endeavour to reach all sections of the community. Council meetings are webcast and the Executive Leader and Executive Members publish Blogs on the Council's website.

The Tameside Engagement Strategy sets out the way the Council will involve local people in shaping delivery of high quality services across the borough. It aims to help ensure that a coordinated and strategic approach to consultation and engagement is undertaken.

Consultation has continued using the Big Conversation which provides residents and service users the opportunity to express their views and opinions about the services they use and how they can be delivered in the future, in light of the financial challenges faced by Tameside.

Accountability is demonstrated by the publication of the Statement of Accounts, the Annual Report in the Citizen Newspaper, the Annual Governance Statement and the review of service plans and the People and Places Scorecard.

Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.

The Council has a well-defined decision-making process and Scheme of Delegation, which are documented in the Constitution. It publishes a Forward Plan and all agendas and minutes of meetings can be found on the Council's public website. The Safe and Sound Decision Making Framework in place ensures that good processes are in place for making and implementing decisions, which are informed by good information and data, stakeholder views and an open and honest debate, which reflects the interests of the community.

The robustness of data quality is the responsibility of managers and is reviewed as part of the Internal Audit and External Audit functions. Performance indicators, which are collated centrally, are regularly reported to the Senior Management Team and Members, via the People and Places Scorecard. A Corporate Performance Group chaired by the First Deputy (Performance and Finance) meets regularly and is responsible for; performance management and improvement including the oversight of the People and Places Scorecard, the corporate plan, service planning, and service redesign and review.

Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

Effective challenge is an integral part of how the Council and its partners manage Tameside. It ensures that the partnership and constituent organisations remain focused on improvement and achievement. Challenge helps to identify areas for benchmarking and the development of best practice. Similarly, it supports individuals and teams further develop their own skills and capacity, which in turn helps to deliver better outcomes for local people.

The Council's approach includes:-

- Peer assessment and challenge;
- Performance Management – People and Places Scorecard;
- Big Conversation and Service Redesign;
- Scrutiny, and

- Risk Management.

Continual improvement has always been at the heart of the organisation and the results can be seen through our sustained record of achievement. In the External Auditor's Audit Letter dated October 2016, the Council received an unqualified Value for Money conclusion, which means that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources and to ensure proper stewardship and governance. The External Auditor noted that:

"Of particular note is the progress that the Council and partners have made in establishing an Integrated Care Organisation (ICO) to create a sustainable future for health and social care for residents across Tameside. A single commissioning function between the Council and Tameside and Glossop Clinical Commissioning Group became operational in shadow form on 1 April 2016 under the banner of "Care Together".

The Value for Money conclusion assessed by External Audit is based on one single criterion for auditors to evaluate:-

- In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

While planning for the future we remain focused on the present. The need to balance the budget focuses us on service redesign. We ensure service users are engaged and involved, and services they rely on are safeguarded wherever possible. Our Customer Service Excellence award is testament. Tameside gained 100% compliance against all criteria, and eight areas of compliance plus – a discretionary award for 'exceptional best practice'. The report stated "... continued to improve and focus on the development and delivery of customer-focussed services, despite the continuing financial challenges..."

GMPF is leading the way in investment and pooling innovation, particularly in the areas of housing and infrastructure development. Airport City is a joint venture between GMPF, Manchester Airport Group, Carillion and Beijing Construction Engineering Group. The partners are developing over 5 million square feet of hotels, offices, manufacturing, logistics and retail space directly adjacent to Manchester Airport, an ideal gateway to carry out business throughout the UK, Europe and the world.

Defining and documenting the roles and responsibilities of members and management with clear protocols for effective communication in respect of the Council and partnership arrangements.

The Council Constitution sets out the roles and responsibilities of each Executive Member, and the responsibilities delegated to the Chief Executive, members of the Executive Team and senior managers of the Council. It includes the post and responsibilities of the Statutory and Proper Officers.

The Chief Executive for the Council is now the Accountable Officer for the Tameside and Glossop Clinical Commissioning Group and from November 2016 joint management arrangements are now in place to foster closer working.

Protocols for effective communication are in place. Meetings have agendas and minutes published on the Council's Website and a Forward Plan is published. The Executive Leader's Annual Key Note Address, the Corporate Plan, the Citizen Magazine, Scrutiny, Consultation via the Big Conversation and, increasingly, the use of Social Media (Facebook, Twitter and Instagram) are examples of how the Council communicates with partners and residents of the Borough.

The constitution is reviewed and updated regularly and changes are disseminated across the Council and Tameside and Glossop Clinical Commissioning Group via the Chief Executives Weekly Brief, The Wire and team briefings.

The Tameside Health and Wellbeing Board is a statutory partnership with health commissioners, providers and other interested parties. It is chaired by the Executive Leader of the Council and has developed the Tameside Health and Wellbeing Strategy that identifies priorities to address local health inequalities.

Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2015) and where they do not, explain why and how they deliver the same impact.

The financial management arrangements in place conform with the CIPFA statement and the service was managed by the Assistant Executive Director (Finance), the Council's Section 151 Officer, up to 31 March 2017.

Ensuring effective arrangements are in place for the discharge of the monitoring officer function.

The Executive Director (Governance, Resources and Pensions) is the Monitoring Officer for the Council and the function is detailed in the Constitution. A Monitoring Officer Protocol is in place and detailed on the website.

Ensuring effective arrangements are in place for the discharge of the head of paid service function.

The Chief Executive is the head of paid service and the role and function are detailed in the Constitution.

Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

Induction guidelines are available for managers including a checklist to ensure consistency across all services. Member induction is delivered by the Monitoring Officer and the Executive Support Team.

Training needs are assessed using Annual Development Reviews for officers. The process takes into account the needs of the service and then identifies any gaps in the skills and knowledge of the workforce to enable it to meet its objectives. All training requirements are reviewed by management and then compiled into service training plans, which are submitted to People and Workforce Development to inform and direct the provision of future training and development opportunities.

Training for members is assessed on an annual basis and a programme of events is scheduled to ensure both local and national subjects are covered.

Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.

The Council empowers its employees to be innovative and to find solutions to problems, but recognises that there are potential risks for the Council. As part of the Service Planning process, individual services develop their own risk registers and monitor controls. Significant and cross cutting service risks are amalgamated into the Corporate Risk Register. Every report presented to Senior Managers, Council, Committees, Board, Panels, Working Groups and for Key/Executive Decisions is risk assessed. The risk management process embraces best practice.

The Information Governance Framework which was introduced in November 2013 and refreshed during 2016 continued to be a key priority for the Council ensuring that the guidance contained in

the supporting documents was relevant, disseminated and embedded across all service areas. The Information Governance Group, which was chaired by the Executive Director (Governance, Resources and Pensions), ensured that the framework remained up to date and in line with the requirements of the Information Commissioners Office, the regulatory body for enforcing the requirements of the Data Protection Act. Information Governance, Risk Management and Data Protection training is delivered via a range of media, including briefing notes, the Chief Executive's Briefing, the Wire, workshops, DVD's and E-Tutorials.

Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risks of Fraud and Corruption (CIPFA 2014).

The Council has an Anti-Fraud, Bribery and Corruption Strategy: Statement of Intent as part of the Constitution and all investigations are undertaken by Internal Audit. All investigations are conducted in line with the Fraud Response Plan and operational guidance notes. The Standards Panel receives monthly reports on investigations underway to monitor progress and provide direction, where appropriate. The Council continues to participate in the National Fraud Initiative, which is coordinated by Internal Audit. The work undertaken by the Council in relation to the 2014 exercise was highly commended.

A Whistleblowing Policy is maintained and available on the Council's website.

Ensuring an effective scrutiny function is in place.

This role is performed both by the Scrutiny function and by Tameside Members who sit on Outside Bodies' Committees. The Scrutiny function conducts reviews across Tameside which may call into account other public service providers like the NHS. Reviews conducted are reported to the Scrutiny Panels and the programme of reviews and reports are available on the scrutiny website together with an Annual Report. Members who represent the Council on outside bodies are ensuring that service delivery is effective, providing a challenge function and that the needs of Tameside are taken into account.

Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.

The Council's assurance arrangements conform with the governance requirements of the CIPFA Statement. The Head of Risk Management and Audit Services reported directly to the Assistant Executive Director (Finance) as the Section 151 Officer and reported on a quarterly basis to the Audit Panel and the Greater Manchester Pension Fund Local Board.

Undertaking the core functions of an Audit Committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013).

The Audit Panel does comply with the guidance issued by CIPFA and is regularly attended by our External Auditor. Training is assessed for members of the panel based on their existing skills and knowledge.

Ensuring that the Council provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

Information, support and responses are provided to External Audit in a timely manner. Audit findings and recommendations are considered by the Assistant Executive Director (Finance) and the Assistant Executive Director (Pensions Local Investments and Property) and presented to the Audit Panel, Overview (Audit) Panel, Executive Cabinet and the Pension Fund Management Advisory Panel.

In their Annual Letter of October 2016, Grant Thornton commented that “The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit”.

Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the Council’s overall governance structures.

Good governance arrangements in respect of partnership working were established many years ago when the Tameside Strategic Partnership was created and those standards are still adopted today.

The continued successful delivery of outcomes by the various networks, joint teams and partnerships operating across Tameside to maximise the wellbeing and health of the people of the Borough demonstrates that the arrangements in place are sound. Tameside has always promoted working with partners and this is recognised as ‘The Tameside Way’. It is through our strong and long-standing partnerships, along with new ones that may develop in the future, that help us to produce solutions and real improvements for Tameside.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. This review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Risk Management and Audit Service’s Annual Report, and also by comments made by the External Auditor and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the Governance Framework includes the following measures and actions:-

- The Council has adopted a Planning and Performance Framework and carries out a programme of monitoring which runs throughout its annual cycle. This includes quarterly monitoring of all budgets, regular monitoring of Service Delivery Plans and the People and Places Scorecard.
- The Corporate Plan is refreshed regularly to take into account changes in circumstances and need. These reviews are influenced from the outcomes of the Business Days held between the Executive Cabinet and the Executive Team.
- The Capital Programme is regularly monitored and reported to the Strategic Planning and Capital Monitoring Panel, Overview (Audit) Panel and the Executive Cabinet.
- The Executive Cabinet carries out its functions in accordance with responsibilities outlined in Cabinet Portfolios, which are detailed in the Council’s Constitution. Several Non-Executive Members are appointed to specific roles to assist Executive Members in the delivery of their particular areas of responsibility. All roles are assigned at the annual meeting of the Council.
- There is a well established Overview and Scrutiny function, which has been revised and updated in the light of experience. Scrutiny Panels review the work of the Council throughout the year; make a series of recommendations to Executive Cabinet, which then require a formal response and action, as appropriate. There is a public website where the public can access completed review reports and Annual Plans and Annual Reports.

- To support delivery of the Medium Term Financial Strategy and be in a positive position to respond to the financial challenges facing the Council, a structured programme of service reviews/redesigns has continued during the year. The continuation of this work is necessary to ensure that we are in a strong position to manage and use our resources effectively to maintain good outcomes and achieve the level of savings required. Service areas are looking for new and innovative ways of doing things as well as working more closely with our partners. Given the magnitude of the tasks the Council faces, consultation via the Big Conversation has continued so that residents' views on any changes can be taken into consideration. The Assistant Executive Director (Finance) worked with the Executive/Senior Management Team during the budget preparation period to ensure that a robust set of savings plans are in place and a clear delivery plan has been drawn up.
- The Executive Directors have each reviewed the operation of key controls throughout the Council, from the perspective of their own directorates, using a detailed assurance self-assessment checklist. They have provided a signed assurance letter and identified any areas for improvement, which will form the basis of an action plan to this Governance Statement.
- The Code of Corporate Governance has been reviewed and the evidence documented to demonstrate compliance with the principles of good governance. The Review was reported to senior management and the Audit Panel in May 2017.
- The Executive Director (Governance, Resources and Pensions) as the Monitoring Officer, carried out a continuous review of all legal and ethical matters, receiving copies of all agendas, minutes, reports and associated papers, and commented on all reports that go to members and when necessary taking appropriate action, should it be required.
- The Assistant Executive Director (Finance) as the Section 151 Officer, carried out a continuous review of all financial matters, receiving copies of all agendas, minutes, reports and associated papers, and commented on all reports that go to members and when necessary taking appropriate action, should it be required.
- The Standards Committee is responsible for standards and probity, and receives regular reports from the Executive Director (Governance, Resources and Pensions), the Monitoring Officer.
- The role held by the Assistant Executive Director (Finance) from 1 April 2016 conformed to the requirements of the five principles of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government.
- The report published by Ofsted in December 2016 on the Inspection of Children's Services in Tameside, which judged the service to be inadequate, highlighted a number of issues in relation to service delivery, leadership, management and governance and a detailed Improvement Plan has been created. Delivery of the Improvement Plan is overseen by the multi-agency Tameside Children's Services Improvement Board. The Board has an independent chair and an advisor from the Department for Education sits on the Board.
- The Audit Panel carries out an overview of the activities of the Council's Risk Management, Internal Audit and External Audit functions. Members are provided with a summary of reports issued and their associated audit opinion. They approve the Annual Plans for each, and receive regular progress reports throughout the year. The Head of Risk Management and Audit Services presents an Annual Report and opinion, and the External Auditor submits an Annual Audit Letter along with other reports during the year. Work in relation to risk registers and business continuity planning needs to be undertaken to ensure that the systems in place meet the requirements of the organisation and best practice.

- The Internal Audit Service provides a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit Regulations 2015. It operates under the Public Sector Internal Audit Standards and a self-assessment completed for 2016/17 shows that the service is fully compliant with all the standards, and the assessment was reported to the Audit Panel in May 2017.
- The Council's External Auditors review the activities of the Council and issue an annual opinion on the Annual Accounts and a Value for Money conclusion. Conclusions and significant issues arising are detailed in their report to those charged with governance.
- Progress on the further development areas identified in Section 5 are regularly reported to the Audit Panel throughout the year by the Head of Risk Management and Audit Services.

5. Level of Assurance

The governance arrangements in place comply with the Principles outlined in the Council's Code of Corporate Governance and can be regarded as fit for purpose. A few areas for development have been identified in the Action Plan attached at **Appendix A**, and addressing these will further enhance the Governance Framework.

Improvements arising from Internal/External Audit Reports and Inspection Reports have already been built into Service Area Action Plans and are monitored as part of the Performance Management Framework.

6. Conclusion and Signatures

The Annual Governance Statement has been reviewed by Senior Management, presented to the Audit Panel and approved by the Overview (Audit) Panel. We have been advised on the implications of the review of the effectiveness of the Governance Framework in place, and the action plan compiled to address the further developments identified to ensure the continual improvement of the system in place.

We are satisfied that these steps will address the improvements that have been identified and their implementation will be monitored by the Audit Panel throughout the year and as part of our next Annual Review.

Signed:

Signed:

.....
Councillor Kieran Quinn
Executive Leader of Tameside MBC

.....
Steven Pleasant
Chief Executive of Tameside MBC

Dated: 31 July 2017

Dated: 31 July 2017

Annual Governance Statement 2016/17 - Improvement Plan

Appendix A

| Area of Review | Improvement Required | Progress to Date | Improvement Owner/ Completion Date |
|--|--|---|---|
| Children's Services (New) | Improvements in response to the Ofsted Report, which have been detailed in the Tameside Children's Services Improvement Plan, need to be implemented and a Project Board is in place to monitor progress. | An independent chair has been appointed to the Children's Services Improvement Board. A partnership wide improvement plan has been agreed together with an investment plan. | Stephanie Butterworth March 2018 |
| Risk Management and Business Continuity Planning (New) | Enhancements are needed to the systems in place so that they meet with the requirements of the organisation and best practice. | | Wendy Poole October 2017 |
| Health and Safety | To Review process and procedures in place to ensure consistency of approach and embrace electronic recording where appropriate | Audit of organisation carried out. Report to SCMT regarding current position and improvements. Commenced improvement plan including improved governance arrangements across all Directorates. Further reviews at service level to be carried out. Identify capacity to deliver. | Ian Saxon December 2017 |
| Managing Change (Carry Forward) | The ongoing level of change across the organisation, reduced resources and staff capacity to deliver the challenges faced by the Council, is managed by ensuring that proper governance and risk management procedures are in place to safeguard that the overall control environment is not adversely affected. | A risk based Internal Audit Plan is in place that addresses the keys risks facing the council. Risk management is embedded in service delivery, as all decision have to detail the risk implications to ensure that they are being managed. Assistance from Risk Management and Audit is provided when requested. | Single Commissioning Management Team Ongoing |
| Care Together (Carry Forward) | As we continue to develop integrated health and social care services and move provision as close to home as possible, strong governance arrangements need to be in place to ensure we deliver our vision, improving healthy life expectancy, reducing inequalities and moving | The Care Together Programme is well established with two key programmes; creation of a strategic commissioning function and an Integrated Care organisation. The Chief Executive is also now the Accountable Officer for NHS Tameside and Glossop Clinical | Strategic Commissioning Management Team March 2018 |

| Area of Review | Improvement Required | Progress to Date | Improvement Owner/ Completion Date |
|---|---|---|---|
| | <p>towards a financially sustainable economy.</p> <p>Although there has been substantial progress, implementation of the new model of care will need to gather pace to ensure delivery of our core objectives.</p> | <p>Commissioning Group. A single commissioning management team is in place and there is delegated responsibility for decision making to a Single Commissioning Board for a significant pooled budget.</p> <p>The Tameside and Glossop Integrated Care NHS Foundation Trust (ICFT) is now in place with the community services now embedded, a new name and updated governance arrangements. A joint management team including neighbourhood GPs is in place and a range of transformation programmes are being rolled out to support people in their communities.</p> | |
| Vision Tameside (Carry Forward) | <p>This is a multi-million pound project in partnership with Tameside College, and needs to be delivered in accordance with agreed milestones. It is essential that the risks to service delivery during the interim period are kept under review to minimise disruption to the people and businesses of Tameside so that, together, the mutual benefits of the project will be recognised and celebrated. It is also important to ensure that the benefits of the new building are realised in terms of different ways of working and reducing future running costs.</p> | <p>Regular reports are provided to the Senior Management Team, Board and Cabinet. The Vision Tameside Project Board meets on a regular basis to monitor progress in terms of milestone dates and costs.</p> | <p>Robin Monk Damien Bourke Sept 2018</p> |
| Pension Fund Pooling of Investments (Carry Forward) | <p>Greater Manchester Pension Fund is working with other large metropolitan LGPS funds to create a £40+ billion asset pool. Pooling of assets will provide greater scope to allow the funds to invest in major regional and national infrastructure projects such as airport expansion, major new road and rail schemes, housing developments and energy production growth, all</p> | <p>The Government has provided approval for the submission made by Greater Manchester Pension Fund, West Yorkshire Pension Fund and the Merseyside Pension Fund to create the Northern Pool.</p> <p>The 3 funds have established a vehicle to make collective direct infrastructure investments and are creating a similar vehicle to make collective</p> | <p>Euan Miller Paddy Dowdall Steven Taylor March 2018</p> |

| Area of Review | Improvement Required | Progress to Date | Improvement Owner/ Completion Date |
|----------------|---|---|---------------------------------------|
| | driving economic growth and prosperity. Strong governance arrangements will need to be in place, underpinned by robust and resilient systems and procedures, to ensure the desired outcomes are realised. | private equity investments. Representatives of the Fund will continue to work closely and seek professional advice, as required, in order to create the Pool during 2017 and 2018. | |

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| Report To: | AUDIT PANEL |
| Date: | 30 May 2017 |
| Reporting Officer: | Ian Duncan – Assistant Executive Director (Finance) Wendy Poole – Head of Risk Management and Audit Services |
| Subject: | RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2017/2018 |
| Report Summary: | This report presents the planned work for the Risk Management and Audit Service for 2017/2018. |
| Recommendations: | <ol style="list-style-type: none">1. Members approve the Draft Internal Audit Plan for 2017/2018 shown at Appendix 1 and note the planned work for the Risk Management and Insurance Team and the National Anti Fraud Network Team.2. Members approve the Internal Audit Strategy for 2017/2018 shown at Appendix 2.3. Members approve the Internal Audit Charter for 2017/2018 shown at Appendix 3.4. Members approve the Quality Assurance and Improvement Programme for 2017/18 shown at Appendix 4. |
| Links to Community Strategy: | Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy. |
| Policy Implications: | Effective Internal Audit and Risk Management supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance. |
| Financial Implications: (Authorised by the Section 151 Officer) | Effective Internal Audit assists in safeguarding assets, ensuring the best use of resources and reducing losses due to poor risk management. It also helps to keep insurance premiums to a minimum and provides assurance that a sound control environment is in place. |
| Legal Implications: (Authorised by the Borough Solicitor) | Demonstrates compliance with the Accounts and Audit Regulations 2015. |
| Risk Management: | By assisting in the effective management of risks, Internal Audit helps to reduce costs and improve service delivery. |
| Access to Information: | The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:  Telephone: 0161 342 3846  e-mail: wendy.poole@tameside.gov.uk |

1. INTRODUCTION

- 1.1 The report presents the planned work for the Risk Management and Audit Service for 2017/2018. It sets out in detail the work of Internal Audit and presents at **Appendix 1** the Annual Audit Plan for 2017/2018 for approval. It highlights the planned work in relation to Counter Fraud/Investigation Work, the Risk Management and Insurance Team and the National Anti-Fraud Network (NAFN) – Data and Intelligence Services.

2. INTERNAL AUDIT PLANNING PROCESS

- 2.1 The Internal Audit Service plans its work with a view to achieving the following key objectives:-
- Supporting the Council's Vision;
 - Providing optimum coverage across all services to ensure the best use of resources;
 - Targeting resources towards priority (high-risk) areas;
 - Satisfying legislative requirements;
 - Providing assurances to Members and Senior Managers as to the effectiveness of the Council's internal controls;
 - Responding to the needs of service managers; and
 - Maintaining a regular level of audit presence in all areas.
- 2.2 The plan is reviewed and revised each year to take into account service and legislative changes, which can result in large shifts in priorities and culminates in the production of the Annual Audit Plan.
- 2.3 The audit management system used ("Galileo") holds the entire list of all audits to be undertaken and does provide an indicative strategic plan based on risk assessments undertaken on each audit activity. This suggested plan produced by Galileo is used as the base plan for the audit year in question prior to consultation.
- 2.4 Audits are prioritised based on an assessment of risk and allocated a numerical risk score which equates to either High, Medium/High, Medium, Low/Medium or Low and the following factors are taken into account:-
- Susceptibility to Error/Fraud;
 - Control Environment;
 - Sensitivity and Reputation of the Council;
 - Complexity;
 - Volume and Value of Transactions;
 - Management Concerns;
 - Management Changes;
 - Specific Business Risks/Business Importance;
 - Quality, Integrity and Security of Information; and
 - Years since Previous Audit.
- 2.5 Consultation involves Executive Members, Executive Directors, Assistant Executive Directors, Heads of Service and in some cases Service Unit Managers and was carried out during February and March. These meetings help to inform the risk assessments undertaken on audit activities and provide members and officers with the opportunity to discuss areas of concern or provide further details of up and coming changes to structures, key personnel, systems, procedures and/or legislation. In addition to agreeing priority audits, the discussions also include a report on previous audit work undertaken and the level and quality of the service provided. Risks identified in the Corporate Risk Register are also taken into account during the planning process.

- 2.6 Allegations of fraud investigated during the year together with intelligence gained from external sources (e.g. Chartered Institute of Public Finance and Accountancy Fraud Centre, National Anti-Fraud Network and networking events) are used to identify potential risks and new fraud areas which are then taken into account either directly as an audit or used to inform the audit work scheduled in a particular area.
- 2.7 Taking all the above information into account, the indicative plan produced by Galileo is revised to generate a draft plan. This plan is then balanced to resources and priorities and amended accordingly, as requested audits usually exceed resources available. This stage of the process is conducted by the Head of Risk Management and Audit Services supported by the Principal Auditors who manage the plans on a day-to-day basis and is based on professional judgement and the potential risk exposure posed to the Council. Audits that cannot be covered in the current plan year are highlighted as priorities for next year's audit plan and held in contingency in case difficulties arise in achieving any of the audits included in the annual plan.
- 2.8 The Section 151 Officer has been consulted to ensure that the levels of coverage will provide the necessary information and assurance to support the Section 151 Officer Role and the preparation of the Annual Governance Statement.
- 2.9 Whilst the work of Internal Audit, External Audit and Scrutiny are different, consultation takes place during the year to ensure our respective work programmes are complementary and that areas are not "over audited/inspected".

3. INTERNAL AUDIT ANNUAL AUDIT PLAN 2017/2018

- 3.1 A summary of the Annual Audit Plan is shown below in Table 1. A detailed list of the Annual Audit Plan for 2017/2018 is included at **Appendix 1**. It details the audits to be undertaken in each Directorate/Service Area, the planned days and the purpose of the audit including those planned for the Greater Manchester Pension Fund.

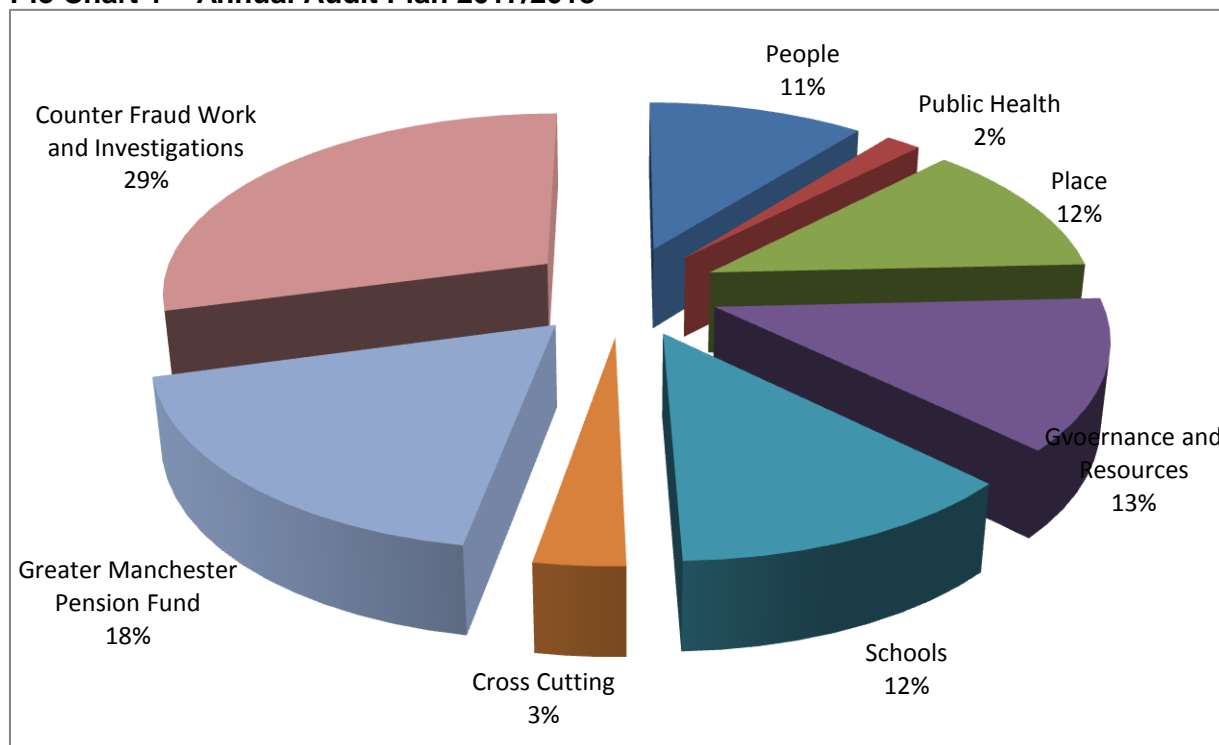
Table 1 – Annual Audit Plan Summary 2017/2018

| Service Area / Directorate | Plan Days | % |
|---|--------------|------------|
| People | 177 | 11 |
| Public Health | 29 | 2 |
| Place | 198 | 12 |
| Governance and Resources | 217 | 13 |
| Schools | 205 | 12 |
| Cross Cutting | 53 | 3 |
| Greater Manchester Pension Fund | 300 | 18 |
| Proactive Fraud Work, Irregularity Investigations, Advice and Control Reports | 487 | 29 |
| Total Planned Days for 2017/2018 | 1,666 | 100 |

- 3.2 The plan is based on the current structure of the Council and may need to be updated after the current management review is completed.
- 3.3 The plan detailed at **Appendix 1** and summarised in the table above and the pie chart below totals 1,666 days and has been matched to available resources. Compared to the plan for 2016/17 the available days have reduced from 1,798 for two reasons:-
- A flexible working request was approved whereby hours worked were reduced from 36 to 30 hours per week.
 - A vacancy exists at the auditor level and therefore resources have only been accounted for from 1 October 2017.

- 3.4 Productive days are estimated and any changes to the assumptions made will be reflected during the year as Audit Plan updates are reported to the Audit Panel.
- 3.5 The plan will be kept under constant review and regular meetings will be held with Executive Members and the Senior Management Team to ensure that it reflects the keys risks for the Council going forward as it continues to change both in shape and size to meet the financial challenges placed upon it.

Pie Chart 1 – Annual Audit Plan 2017/2018



4. INTERNAL AUDIT STAFFING

- 4.1 The structure of the team is shown in Table 2 below. An Auditor has recently left the team and transferred to the Schools Finance Team. Recruitment is ongoing.

Table 2 – Internal Audit Staffing Structure

| Post | Qualification | Audit Experience |
|--|-----------------|------------------|
| Head of Risk Management and Audit Services | CIPFA/PGCM | Over 15 Years |
| Principal Auditor | CIPFA/PGCM | Over 20 Years |
| Principal Auditor | ACCA/IIA | Over 20 Years |
| Senior Auditor | CIPFA | Over 20 Years |
| Senior Auditor | | Over 20 Years |
| Senior Auditor | | Over 20 Years |
| Counter Fraud/Investigator | PINS Accredited | Over 10 Years |
| Counter Fraud/Investigator | PINS Accredited | 5 Years |
| Auditor | | Less Than 1 Year |
| Auditor | Vacant | |

- 4.2 The Service Unit no longer employs a specialist Computer Auditor and therefore the provision of technical computer audit support is procured from Salford MBC Computer Audit Services using the AGMA Collaboration Computer Audit Agreement to help deliver the ICT – Computer Audit Plan.

4.3 The Internal Audit Team has complete organisational independence and is not responsible for any non-audit work. Staff are very aware of the need to remain independent and ensure that requests for advice and support do not compromise this position. The Head of Risk Management and Audit Services is responsible for the Risk Management and Insurance functions. Any review conducted in these areas would be reported in the name of an independent manager to ensure that independence is not compromised. The Public Sector Internal Audit Standards - Code of Ethics now forms part of the Declaration Process.

5. INTERNAL AUDIT REPORTING PROCESS

5.1 At the completion of an audit review a draft report is produced which is issued to the appropriate managers within the area (this will vary depending on the review, but usually includes members of the senior management team) for them to check the factual accuracy of the report and to provide their management responses to the recommendations identified. Closure meetings are held with all parties to expedite the process.

5.2 A quality control and review process is in place within the team that ensures all audits are conducted to a high standard and that working papers, conclusions and recommendations are sound and justified.

5.3 A final audit report is then produced incorporating the management responses and circulated to: -

- Executive Member – responsible for area under review;
- Chief Executive;
- Executive Director (Governance and Resources);
- Section 151 Officer;
- Executive Director;
- Appropriate Service Area Managers;
- Head of Resource Management – responsible for area under review; and
- External Audit.

5.4 Six months after completion, a Post Audit Review is undertaken to establish whether the agreed recommendations have been implemented, however where a low level of assurance is issued the area is re-visited within 3 months. This report is circulated to those members and officers who received the final report so that they can check that progress has been made. Areas of concern are escalated to the Head of Risk Management and Audit Services and/or the Assistant Executive Director (Finance) for discussion with the relevant service managers to ensure that progress is made. Post Audit Reviews with significant outstanding items will in turn be reported to the Audit Panel.

5.5 All reports issued are reviewed and quality checked within the team by the Principal Auditors before they are released. The Head of Risk Management and Audit Services also reviews all final reports and Post Audit Reviews. Low level assurance audits are discussed with Assistant Executive Directors to gain assurance that resources will be targeted to resolve issues identified.

5.6 In addition, quarterly reports are produced for the Audit Panel, which summarise the key issues, highlighted from completed audits and any concerns resulting from Post Audit Reviews.

5.7 At the end of the financial year, an annual report is produced summarising the work undertaken during the year and providing an opinion on the overall control environment. In broad terms, the opinion is based on the audit opinions issued during the year, the nature of the audits and the type and severity of recommendations made.

- 5.8 The audit service is compliant with the Public Sector Internal Audit Standards. A self-assessment against the standards has been completed to inform the Review of the Effectiveness of the System of Internal Control required by the Accounts and Audit Regulations 2015 Section 6. An external assessment must be conducted at least once every five years as part of the Public Sector Internal Audit Standards and this will be conducted by members of the North West Chief Audit Executive Group during the next year.
- 5.9 A self-assessment against the Chartered Institute of Public Finance and Accountancy Statement for the Head of Internal Audit has also been completed as part of the Review of the Effectiveness of the System of Internal Control and as part of the assurance work for the preparation of the Annual Governance Statement. The Head of Risk Management and Audit Services is compliant with all the requirements.

6. ANNUAL GOVERNANCE STATEMENT

- 6.1 The Accounts and Audit Regulations 2015 require audited bodies to conduct a review, at least once a year, of the effectiveness of its systems of internal control. The findings of the review shall be considered by a committee of the relevant body, or by members of the relevant body meeting as a whole, and following consideration, shall approve a governance statement, prepared in accordance with proper practices in relation to internal control.
- 6.2 The work of Internal Audit is fundamental to the production of this statement as the work conducted provides evidence and ongoing assurance that the systems of internal control have been reviewed and that risks are being effectively managed. The annual report referred to in 5.7 is a key source of assurance.

7. INTERNAL AUDIT STRATEGY AND CHARTER

- 7.1 In order to comply with the Public Sector Internal Audit Standards it is necessary for the Audit Panel to approve the Internal Audit Strategy (attached at **Appendix 2**) and the Internal Audit Charter (attached at **Appendix 3**) annually.
- 7.2 The Strategy provides an overview of internal audit and covers:-
- Introduction;
 - Main Drivers in setting the Direction;
 - What this means we need to do; and
 - How will we do this?
- 7.3 The Internal Audit Charter is more operational and includes:-
- Introduction;
 - Independence;
 - Reporting Lines of the Head of Risk Management and Audit Services;
 - Scope of Internal Audit Work;
 - Responsibility;
 - Resourcing and Staffing Matters;
 - Ethics;
 - Limitations of Internal Audit Responsibilities; and
 - Reporting.

8. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

- 8.1 Standard 1300 of the Public Sector Internal Audit Standards require:

“The chief internal auditor must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity”.

8.2 The Quality Assurance and Improvement Programme (attached at **Appendix 4**) includes:-

- Introduction
- Internal Assessments
- External Assessments
- Review of the Quality Assurance and Improvement Programme

9. PROACTIVE FRAUD WORK/IRREGULARITY INVESTIGATIONS

9.1 Whilst unplanned in their nature, time is required each year for the investigation of frauds and irregularities that are notified to Internal Audit. There is a dedicated resource within the service unit, which provides support to management to ensure that such problems are dealt with as effectively as possible. A control report is provided in response to investigations/advice and support work to ensure that the control environment is improved to try to minimise any future re-occurrence. Learning points are noted for wider dissemination where appropriate and any recommendations are followed up at a later date by a Post Audit Review to ensure the required improvements have been implemented.

9.2 The Standards Panel is notified of all cases reported and kept informed of progress on a monthly basis and direction/guidance from the Panel is provided where appropriate.

9.3 Update reports will be provided as part of the quarterly progress reports provided by the Head of Risk Management and Audit Services.

9.4 Intelligence from all corporate fraud/irregularities notified to Internal Audit is used to:-

- Evaluate our response plan;
- Inform the audit planning process to ensure fraud risks are taken into account; and
- Inform the risk assessment tool within Galileo (audit management system) to ensure all auditable activities are correctly assessed.

9.5 Proactive fraud work planned for 2017/2018 will include the development and delivery of awareness training, the review of all fraud policies, processes and procedures and the use of the interrogation package “IDEA” to look for data anomalies and duplicate payments. Some development work will also be undertaken with the National Anti-Fraud Network to help develop a Greater Manchester Fraud Intelligence Hub and assist with the production of an A-Z of Services to help maximise the use of the services and enhance investigations by making appropriate use of data and intelligence available. Both projects were deferred by the National Anti-Fraud Network due to capacity issues in 2016/17.

10. RISK MANAGEMENT AND INSURANCE

10.1 The Risk Management and Insurance Team provide services to the whole Council including schools. The key priorities for the team during 2017/2018 are:-

- To review the risk management system to ensure that it complies with best practice but is still practical for use by the organisation.
- To facilitate the delivery of risk workshops to enable both the Corporate Risk Register to be updated and Operational Risk Registers to be maintained by managers.
- To facilitate the continued implementation of the Information Governance Framework and prepare for the introduction of the General Data Protection Regulations which become effective from May 2018.

- To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with the capability to provide knowledge and information should a major incident occur affecting service delivery.
- To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.

11. NATIONAL ANTI-FRAUD NETWORK - DATA AND INTELLIGENCE SERVICES

- 11.1 The National Anti-Fraud Network will continue to work with key stakeholders and partners to further develop the services offered to members to ensure that emerging business needs are met in response to changing legislation. The key priorities are to:-
- Develop further on line services to efficiently deliver data and intelligence to members;
 - Deliver webinar training for National Anti-Fraud Network Services;
 - Work with the Greater Manchester Fraud Group to deliver an Intelligence Hub;
 - Develop the services currently delivered in relation to the Regulation of Investigatory Powers Act.
 - Create an A-Z of services providing both a training facility and an interactive tool to promote services delivered.
- 11.2 A revised structure was approved in December 2016 which enhances the management of the team by introducing a Business Development Manager. The priorities for the postholder will be:-
- Review the Marketing Strategy and Plan;
 - Increase membership;
 - Expand usage by existing members;
 - Identify service improvements and new services by liaising with members and stakeholders; and
 - Develop webinars to provide cost effective training for members.

12. PERFORMANCE MONITORING

- 12.1 In accordance with Tameside methodology, the performance of the service is monitored against targets and performance indicators. Individually auditors are monitored against performance targets and appraisal sheets are completed for audits highlighting issues and potential training needs. Customer questionnaires are also used at the conclusion of each audit to test customer reaction to the audit and to help identify any training needs or service improvements.
- 12.2 The Audit Plan will be continually monitored via monthly progress meetings between the Audit Management Team and regular update meetings with Executive Members, Senior Managers and External Audit and quarterly reports to the Audit Panel and the Greater Manchester Pension Fund Local Board.
- 12.3 The target for achievement is 90% of the agreed plan. However, high priority requests that arise during the year, changes in available audit resources and problem areas highlighted may affect the achievement of this target and result in the need for revisions to the agreed plan. All significant changes are agreed with relevant managers and Executive Members where appropriate and will be brought to the Panel for approval.
- 12.4 The Public Sector Internal Audit Standards are the benchmark against which the performance and effectiveness of the internal audit service will be measured. The

standards were updated in March 2017 with effect from 1 April and therefore a review is underway to assess the services compliance against these revised requirements. This will be reported to the next meeting of the Audit Panel in advance of the formal review which will need to be undertaken by April 2018 to inform the review of Internal Audit and the system of Internal Control.

13. MEMBER TRAINING

- 13.1 During the year, general training on Audit, Risk Management, Information Security, Corporate Governance and Business Continuity will be considered in accordance with member needs with targeted training being provided for members of the Audit Panel and the Greater Manchester Pension Fund Local Board as and when requested.

14. RECOMMENDATIONS

- 14.1 Members approve the Draft Internal Audit Plan for 2017/2018 shown at **Appendix 1** and note the planned work for the Risk Management and Insurance Team and the National Anti- Fraud Network Team.
- 14.2 Members approve the Internal Audit Strategy for 2017/2018 shown at **Appendix 2**.
- 14.3 Members approve the Internal Audit Charter for 2017/2018 shown at **Appendix 3**.
- 14.4 Members approve the Quality Assurance and Improvement Programme for 2017/18 shown at **Appendix 4**.

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DRAFT INTERNAL AUDIT REPORT 2017/18

| AUDITABLE AREA | PURPOSE OF AUDIT | DAYS 2017/18 |
|---|--|-----------------|
| PEOPLE - ADULTS AND CHILDREN | | |
| Homecare | To provide assurance that effective internal controls are in place in respect of the provision of homecare. | 15 |
| Learning Disabilities Client Accounts | To provide assurance that effective internal controls are in place to ensure that clients monies are safeguarded and appropriately accounted for. | 10 |
| Childrens Services Reporting of Performance Data to the Improvement Board | Days allocated to review the performance data provide to the Improvement Board for accuracy and completeness. | 15 |
| Childrens Homes | The financial procedures at the Homes will be reviewed. | 20 |
| Placements North West | Placements Northwest is a regional children's service project which assists the 22 local authorities in the Northwest in making "Out of Authority" placements. These placements cover four board areas: Education, Fostering, Leaving Care and Residential sectors. Tameside is the lead authority for the project. This audit follows on from an audit on the Procurement of Placements which was conducted in 2015/16. We will review the processes in place for the award of contracts/frameworks that have been set up, and also the monitoring of the contracts/frameworks. | 15 |
| Leaving Care | To provide assurance that internal controls are in place to ensure effective transition from the leaving care service. | 15 |
| Emergency/Cash Payments | A review will take place of the cash/emergency payments being made by Childrens Services. | 10 |
| Childrens Safeguarding | This review will examine the risks and the controls in place to mitigate those risks, in relation to Safeguarding Children. | 15 |
| Troubled Families | An allocation has been included to carry out checks on the Troubled Families Scheme in accordance with a GM wide audit programme. | 10 |
| Planning and Control | Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate. | 14 |
| Advice and Support | Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes. | 14 |
| Post Audit Reviews | Follow up work to ensure audit recommendations have been implemented. | 21 |
| Days required to complete 2016/17 Work | Days required to finalise audits that were in progress at the year end. | 3 |
| TOTAL PLANNED DAYS FOR PEOPLE | | 177 |
| PUBLIC HEALTH | | |
| Health and Wellbeing - Health Visiting Service | To review the process in place for the commissioning and monitoring of the Health Visiting Service as an aspect of the mandatory Healthy Child Programme (0-5) | 15 |
| Ring-Fenced Public Health Grant | Certification to confirm that expenditure has been incurred in accordance with the grant conditions. | 5 |
| Planning and Control | Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate. | 3 |
| Advice and Support | Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes. | 1 |
| Post Audit Reviews | Follow up work to ensure audit recommendations have been implemented. | 3 |
| Days required to complete 2015/16 Work | Days required to finalise audits that were in progress at the year end. | 2 |
| TOTAL PLANNED DAYS FOR PUBLIC HEALTH | | 29 |
| PLACE | | |
| Inspired Spaces - Monitoring Of The Catering Contract | To provide assurance that effective contract monitoring processes are in place in order to ensure compliance. | 15 |
| Capital Projects | To examine the project management process in respect of a number of major capital schemes to provide assurance that it is operating effectively and achieving the required outcomes. | 15 |
| Estate Management, Disposal and Acquisition | To provide assurance that the Council's Estate is being effectively managed and appropriate governance is in place in respect of acquisitions and disposals. | 15 |
| Environmental Services Income | To review the process in place for the collection of environmental services income to ensure that it is maximised, promptly collected and appropriately accounted for. | 15 |
| Waste Disposal Levy | To provide assurance that effective internal controls are in place to ensure that the waste disposal levy has been correctly determined. | 15 |
| Provision of Integrated Transport Service | To provide assurance that internal controls are in place to ensure the effective provision of transport to service users. | 15 |
| BACS - New System Sign Off | New BACS software is to be introduced and Internal Audit will carry out checks to sign it off prior to it going live. | 3 |
| Network Security (including 3rd Party access) | This audit, to be carried out by Salford ICT Audit team, will examine the management of the network and the security measures in place, to safeguard the Authority's information assets. | 10 |
| Computer Audit Contingency | This is an allocation of days to enable us to draw on the expertise of the ICT Auditors at Salford for advice and assistance with other audits. | 5 |
| Hattersley Collaboration Agreement | To undertake an audit of the Final Accounts. | 6 |
| Audit of Final Accounts | To provide assurance that the figures contained within the final accounts are correct. | 5 |
| Local Authority Bus Subsidy Grant | Certification to confirm that expenditure has been incurred in accordance with the grant conditions. | 1 |
| Use of CCTV | To provide assurance that effective internal controls are in place in respect of the provision of the Closed Circuit Television system. | 15 |
| Planning and Control | Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate. | 15 |

DRAFT INTERNAL AUDIT REPORT 2017/18

| AUDITABLE AREA | PURPOSE OF AUDIT | DAYS 2017/18 |
|--|--|--------------|
| Advice and Support | Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes. | 21 |
| Post Audit Reviews | Follow up work to ensure audit recommendations have been implemented. | 14 |
| Days required to complete 2016/17 Work | Days required to finalise audits that were in progress at the year end. | 13 |
| TOTAL PLANNED DAYS FOR PLACE | | 198 |

| GOVERNANCE AND RESOURCES | | |
|--|--|------------|
| Softbox | A review is planned to look at the whole system from Childrens Services through to the payment on Softbox, to ensure that the controls to prevent overpayments are operating effectively. | 15 |
| GMPF Annual Return - Compliance Checks | Checks on the compliance checklist submitted with the GMPF Annual Return, to enable it to be signed off by the Head of Internal Audit. | 3 |
| Creditors System | To provide assurance that all invoices and payment requisitions are paid correctly, on a timely basis, and expenditure is appropriately accounted for. | 15 |
| Treasury Management | To provide assurance that effective internal controls are in place in respect of the provision of the Treasury Management function. | 15 |
| VAT | To provide assurance that VAT is being appropriately accounted for. | 10 |
| Determination and Recovery Of Charges | To review the processes in place within Exchequer Services to ensure that charges are being correctly calculated and promptly recovered. | 15 |
| NNDR | To examine the internal controls in place regarding the collection of NNDR income to ensure it is maximised, promptly recovered and correctly accounted for. | 15 |
| Council Tax | To examine the internal controls in place regarding the collection of Council Tax income to ensure it is promptly collected, maximised and correctly accounted for. | 15 |
| Debtors | To provide assurance that all invoices are correctly raised and income is promptly collected and appropriately accounted for. | 15 |
| External Audit Checks - Payroll | Grant Thornton select a sample from iTrent and Internal Audit carry out checks and provide the evidence to support the transactions. External Audit rely on this work to obtain assurance that the payroll system is operating effectively. | 5 |
| Registrars Financial Audit | An allocation is included in the Plan each year to review the records and income in respect of individual Registrars, on cyclical basis. | 6 |
| Members Allowances - Publication | To provide data assurance in relation to the publication of members allowances. | 2 |
| External Audit Checks - General Expenditure | To undertake checks on a sample of expenditure transactions to ensure that they are appropriate to the needs of the Council, have been appropriately authorised and correctly accounted for. This task is undertaken on behalf of External Audit and the results are used to inform the Audit of the Final Accounts. | 5 |
| Review of Financial Regulations | To review and make recommendations to update Financial Regulations. | 1 |
| Planning and Control | Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate. | 17 |
| Advice and Support | Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes. | 25 |
| Post Audit Reviews | Follow up work to ensure audit recommendations have been implemented. | 25 |
| Days required to complete 2016/17 Work | Days required to finalise audits that were in progress at the year end. | 13 |
| TOTAL PLANNED DAYS FOR GOVERNANCE AND RESOURCES | | 217 |

| PEOPLE - SCHOOLS | | |
|---|---|----|
| Poplar Street Primary, Audenshaw | To review the financial management of the school to ensure robust processes and procedures are in place in accordance with best practice to deliver a strong control environment. | 6 |
| Arlies Primary, Stalybridge | | 6 |
| Millbrook Primary, Stalybridge | | 6 |
| Aldwyn Primary, Audenshaw | | 6 |
| St Anne's Primary, Denton | | 6 |
| St Pauls RC Primary, Hyde | | 6 |
| Ravensfield Primary, Dukinfield | | 6 |
| Gee Cross Holy Trinity CE Primary | | 6 |
| St John's CE Primary, Dukinfield | | 6 |
| St Mary's RC Primary, Denton | | 6 |
| Holy Trinity CE Primary, Ashton U Lyne | | 6 |
| St Mary's CE Primary, Droylsden | | 6 |
| St Mary's RC Primary, Dukinfield | | 6 |
| St Anne's RC Primary, Audenshaw | | 6 |
| Samuel Laycock School, Ashton U Lyne | | 6 |
| St George's CE Primary, Mossley | | 6 |
| Alder Community High School, Hattersley | | 10 |
| Thomas Ashton School, Hyde | 10 | |
| ICT Security & Information Security | Salford ICT Auditors will review the systems and processes in place at a sample of schools for ICT Security and Information Governance. Good practice and recommendations will be shared. | 20 |
| Planning and Control | Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate. | 12 |

DRAFT INTERNAL AUDIT REPORT 2017/18

| AUDITABLE AREA | PURPOSE OF AUDIT | DAYS 2017/18 |
|--|--|--------------|
| Advice and Support | Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes. Provision of School Newsletter. | 15 |
| Post Audit Reviews | Follow up work to ensure audit recommendations have been implemented. | 30 |
| Days required to complete 2016/17 Work | Days required to finalise audits that were in progress at the year end. | 12 |
| TOTAL PLANNED DAYS FOR SCHOOLS | | 205 |
| CROSS-CUTTING | | |
| Integrated Commissioning Fund | To provide assurance that effective internal controls are in place for the effective financial management and budgetary control of the Integrated Commissioning Fund. | 15 |
| Contingency for GM Combined Authority - Devolution Assurance and Joint Working | Work programme to be determined by the Greater Manchester Audit Executive Group. | 20 |
| Information Governance - Mobile Working | With the increase in mobile working, this review will aim to assess whether there are appropriate controls in place to keep information secure. | 15 |
| Planning and Control | Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate. | 1 |
| Post Audit Reviews | Follow up work to ensure audit recommendations have been implemented. | 2 |
| TOTAL PLANNED DAYS FOR CROSS-CUTTING | | 53 |
| PENSION FUND | | |
| Pooling of Investments | An allocation has been included in the Plan to review the Governance arrangements in relation to Pooling. | 10 |
| Employer Transfers to GMPF | Internal Audit will carry out some data verification checks on the transfer of the data from the ceding funds, into GMPF. | 20 |
| Private Equity | A review will be carried out on the system/process followed for the Private Equity Investments. | 15 |
| Transfer of Assets to New Credit Manager | A new Credit Manager has been procured and assets will be moved from other Fund Managers to the new Credit Manager. Checks will be carried out on the completeness and accuracy of the transfer of assets. | 5 |
| Local Investments - Impact Portfolio | A review will be carried out on the system/process followed for the Local Investments Impact Portfolio. | 15 |
| Contribution Income (including processing of Year End returns) | Contribution Income is reviewed annually, as it is the main income of the Pension Fund, paid over to the Fund by Employers. External Audit rely on our work on this area, to ensure that there are processes in place to monitor and review the contributions received. | 15 |
| Treasury Management | A review will be carried out alongside a review for Tameside on the Treasury Management system/process. | 10 |
| Calculation and Payment of Benefits | Systems for the calculation of benefits will be examined, and followed through to the payment system. | 15 |
| Guaranteed Minimum Pension (GMP) Reconciliations | In April 2016, contracting out status for all UK Defined Benefit schemes, including the LGPS, ended. As a result, all schemes need to reconcile their GMP data against HMRC data to ensure liabilities are recorded correctly and to avoid overpayment of pensions. Audit time has been included in the Plan to review a sample of reconciliations and the process being followed. | 5 |
| Visits to Contributing Bodies | An allocation of days is included annually for Internal Audit to carry out visits to a sample of Employers. The auditor reviews the data held on the Employer's payroll system to ensure that the correct contributions are being paid over to the Pension Fund. | 65 |
| Altair System | The Payroll module of Altair is being upgraded to Java and Internal Audit have been asked to perform some data checks prior to the new upgrade going live. | 5 |
| Benchmarking /KPI's | A review will take place of the Pension Fund's Benchmarks and Key Performance Indicators. | 10 |
| BACS process | New BACS software is to be implemented, and when this is live a review will be carried out on the process followed by the Pension Fund when BACS payments are made, to ensure that internal controls are adequate. | 3 |
| Risk Management | A review is to take place of the Risk Management procedures in place within the Pension Fund. | 5 |
| Planning and Control | Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate. | 15 |
| Advice and Support | Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes. | 20 |
| Post Audit Reviews | Follow up work to ensure audit recommendations have been implemented. | 15 |
| Days required to complete 2016/17 Work | Days required to finalise audits that were in progress at the year end. | 52 |
| TOTAL PLANNED DAYS FOR PENSION FUND | | 300 |
| TOTAL PLANNED DAYS | | 1179 |
| COUNTER FRAUD WORK AND INVESTIGATIONS | | 487 |
| TOTAL DAYS FOR 2017/18 | | 1666 |

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TAMESIDE MBC

INTERNAL AUDIT

STRATEGY

2017/18

1. INTRODUCTION

- 1.1 This document sets out the overall strategy for the Council's Internal Audit Service for the year 2017/18 and the strategic approach to delivering Internal Audit Services in future years.
- 1.2 This longer-term perspective is necessary to give some indication of how assessed risks will be reviewed, as not all risks can, due to resource constraints, be subject to review within any one year. This longer-term perspective gives direction to service delivery.

2. MAIN DRIVERS IN SETTING THE DIRECTION

- 2.1 The work of the Internal Audit Team responds to a number of needs, some of a statutory nature, some related to supporting others, and some arising from within the Council itself. In summary, the main service drivers are: -
- The Accounts and Audit Regulations 2015;
 - The requirements to meet the service scope and standards set out in the Public Sector Internal Audit Standards 2017;
 - The corporate responsibilities for Section 151 of the 1972 Local Government Act and the requirement to provide assurance and support to the appointed Section 151 Officer;
 - The requirements of the External Auditor;
 - The desire to contribute to the achievement of council goals, targets and objectives;
 - The desire and need to meet the needs of the organisation and internal customers and external customers;
 - The contributory role, in assisting in, the embedding and informing about risk management across the Council;
 - Seeking to be more efficient and effective in service provision in accordance with good practice and Council policy; and
 - The need for the Council to maintain an effective counter-fraud culture.
- 2.2 The Accounts and Audit Regulations 2015 sets out the requirements for local authorities to undertake internal audit:
- "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."
- 2.3 The Public Sector Internal Audit Standards (PSIAS) 2017 provide the definition of internal audit as:
- Internal Auditing is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*
- 2.4 The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:-
- Definition of Internal Auditing;
 - Code of Ethics; and
 - International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).
- 2.5 Section 151 of the Local Government Act requires the Council (through the Chief Financial Officer) to ensure the proper administration of the Council's financial affairs. The work of the Internal Audit function supports the appointed S151 Officer in this as the Internal Audit function assists managers to administer the Council's finances in a sound manner related to the associated risks, and it provides information and assurance to the Chief Finance Officer on the extent of proper administration.

- 2.6 The service will continue to strive to be responsive to customers and their individual needs and to add value to the organisation where it can. It largely does this through acting as a control assurance function providing assurance to managers and to the organisation as a whole on the state of its internal control and governance arrangements. It also adds value by pointing out inefficiencies and by supporting managers in the assessment and management of risk as new service delivery models are considered.
- 2.7 Advice - Internal Audit staff continuously provide advice on internal control and governance issues, and the management of risks, as risk and control experts. They do this when in the field on matters not part of their designated audit, or in response to direct approaches to the internal audit office by clients seeking help and support. This helps to ensure the sound and effective control of business, strategic and operational risks within the Council as changes are considered
- 2.8 Counter Fraud Culture - the work of Internal Audit through testing for and preventing and detecting fraud contributes to the corporate counter fraud culture. The service will also contribute to the Anti-Fraud, Bribery and Corruption Statement of Intent and will participate in activities set out in the Fraud Response Plan.

3. WHAT THIS MEANS WE NEED TO DO:

- 3.1 In meeting these drivers and organisational needs, the Council's Internal Audit Service will:
- Provide assurance on the Council's internal control system, by auditing both financial and non-financial risks;
 - Audit the main financial systems and other systems related to possible material mis-statements, regardless of comparative risk;
 - Deliver risk based assurance on those controls that mitigate significant risks;
 - Fully comply with best practice as defined by Public Sector Internal Audit Standards;
 - Better integrate the outcomes and other information gathered as part, of the internal audit process, with the risk management processes of the Council;
 - Maintain ongoing effective relationships with the External Auditor and deliver complimentary plans of work so as to deliver an efficient audit service collectively, for the Council;
 - Ensure that appropriate resources, suitably experienced, and with skills to deliver the whole plan of work are maintained within the Internal Audit Service Unit or procured from approved providers e.g. AGMA Shared Services;
 - Improve the efficiency and effectiveness of operations of the service;
 - Promote good corporate governance and control practices and contribute to a good governance culture; and
 - Work in a positive manner alongside clients, supporting them in the effective management of risk and service delivery.

4. HOW WILL WE DO THIS?

- 4.1 **Review the whole internal control environment** - We will deliver a comprehensive plan of work such that the key elements of the internal control environment, including non-financial areas are covered on a cyclical basis. This will be evidenced through our Audit Plans. We will use this evidence to deliver an annual opinion on the internal control environment.
- 4.2 **Review of Main Financial and Material Systems** - We will deliver the review of the risk and controls in the Council's main financial systems on a cyclical basis to support the Chief Finance Officer (Section 151 Officer) to discharge his responsibilities

- 4.3 **A system of Risk-Based Auditing** - is fundamental to our ability to comply with the assurance framework requirements that must be in place to comply with professional standards. We will continue to develop our risk based approach to ensure it is effective in providing assurance to managers within the Council and to members.
- 4.4 We will continue to identify and review those areas which are most significant to the control of those risks that threaten the achievement of the Council's objectives and goals.
- 4.5 **Compliance with Best Practice** – we have developed a methodology to measure our achievement of compliance with the PSIAS. We will monitor ourselves against these professional standards and rectify any gaps that are within our control.
- 4.6 **Relationship with Risk Management** - We are not responsible for the management of the Council's risks; this is entirely the responsibility of the Council's management. However, we will take account of the corporate risk management processes in the way we relate to managers in the control of risks. We will endeavour to emphasise the importance of risk management to all managers in the Council as part of the delivery of our service.
- 4.7 We recognise that through our work we are assisting managers to better understand risk management. This is an important educational/informative role that adds value to the organisation. We will submit information of risks to the corporate owner of the Council's Risk Register as well as to managers to help keep the registers up-to-date and relevant.
- 4.8 **Relationship with External Auditor** – we will endeavour always to work with the External Auditor and share plans to deliver an effective corporate assurance service to the Council. We will maintain a process of regular liaison meetings with the External Auditor.
- 4.9 **Appropriate Resources** – we will endeavour to maintain an effective number of staff to undertake the required workload supported by effective systems of operation. We will apply staff in the most effective way in accordance with their experience and skills and in accordance with the PSIAS.
- 4.10 We will develop the experience of our staff by a development programme that gives them new pertinent skills, through a systematic development and training process.
- 4.11 We will procure specialist services from approved suppliers where these skills are not available from within internal resources. The Computer Audit Plan is supplemented by procuring additional days from Salford MBC under the AGMA Computer Audit Shared Service Agreement.
- 4.12 **Efficiency Improvements** – We seek to minimise the time spent on audits whilst at the same time delivering effective audits. Our efficiency will also support more efficient service delivery by our clients as we try to minimise disruption and distraction to normal service delivery.
- 4.13 We will comment on the efficient, economic and effective use of resources where appropriate in our Internal Audit work.
- 4.14 **Promoting Good Corporate Governance** – in all we do we will seek to promote good corporate governance, including the giving of advice and the assessment of internal controls. We will also contribute to both the Council's counter fraud culture and the development of its Anti Fraud, Bribery and Corruption Statement of Intent through the programme of anti fraud checks, and recommending updates to the above document. We will promote this via our work and in coordination with the External Auditor and other key governance managers within the Council.

TAMESIDE MBC

**INTERNAL AUDIT
CHARTER
2017/18**

1. INTRODUCTION

- 1.1 The work of Internal Audit at Tameside Council is governed by the UK Public Sector Internal Audit Standards – March 2017. The Standards comprise of; the Mission of Internal Audit, the definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all internal auditors working in the UK public sector.
- 1.2 The mission for Internal Audit is “To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”
- 1.3 The definition of Internal Audit is “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
- 1.4 Internal Audit supports the Chief Finance Officer to discharge his responsibilities for maintaining an adequate and effective system of internal audit as required under Section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2015.
- 1.5 Internal Audit supports the Monitoring Officer in discharging her responsibilities by providing assurance that the governance framework is operating satisfactorily.
- 1.6 The Head of Risk Management and Audit Services is responsible for the effective review of all aspects of governance, risk and internal control throughout the full range of the Council’s activities.
- 1.7 The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
- 1.8 The Public Sector Internal Audit Standards require that the Internal Audit Charter defines the terms ‘board’ and ‘senior management’ in relation to the work of internal audit. For the purposes of internal audit work, the ‘board’ refers to the Council’s Audit Panel and the Greater Manchester Pension Fund Local Board which have delegated responsibility for overseeing the work of internal audit. The term senior management will generally relate to the Senior Management Team, however it may be defined on an individual basis according to individual context.

2. INDEPENDENCE

- 2.1 Internal Audit is independent of all of the activities of the Council to ensure it is able to appraise the Council’s governance, risks and internal control systems in the impartial and unbiased manner essential to the proper conduct of audits.
- 2.2 To ensure this independence, Internal Audit operates within a framework that allows unfettered access to all Council Officers, Senior Management and Elected members. As such, all Internal Audit staff have the right to all documentation held by the Council and to seek explanations as they see necessary to effectively discharge their duties, from all Officers and Elected Members of the Council.
- 2.3 The Head of Risk Management and Audit Services will report in her own name to Officers and Elected Members, particularly those charged with governance.

- 2.4 Where internal audit staff have a perceived or real conflict of interest in undertaking a particular piece of work, this will be managed through the internal audit management and supervisory process. Staff are required to declare any potential conflict of interest when they are assigned a particular audit review and the work will then be reassigned to another auditor.

3. REPORTING LINES OF THE CHIEF INTERNAL AUDITOR

- 3.1 The Head of Risk Management and Audit Services reports operationally to the Assistant Executive Director (Finance), the Chief Finance/Section 151 Officer.
- 3.2 The work of internal audit is reported to the Audit Panel and to the Greater Manchester Pension Fund Local Board via quarterly progress reports.
- 3.3 The Head of Risk Management and Audit Services also has direct access to the Chair of the Audit Panel and the Chair of the Greater Manchester Pension Fund Local Board as she considers appropriate.

4. SCOPE OF INTERNAL AUDIT WORK

- 4.1 The scope of Internal Audit allows for unrestricted coverage of the Council's activities and unfettered access to all records, assets, personnel and premises deemed necessary in the course of its work.
- 4.2 Internal Audit has unrestricted access to all Council Employees and Elected Members and the authority to obtain such information and explanations, as it considers necessary to fulfil its responsibilities.
- 4.3 The Head of Risk Management and Audit Services has direct access to, and freedom to report to, all senior management including Executive Directors, Chief Executive, the Audit Panel and the Greater Manchester Pension Fund Local Board
- 4.4 Where the Council works in partnership with other organisations, the role of Internal Audit will be defined on an individual basis.
- 4.5 Where Internal Audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the organisation's board and in consultation with the Executive Director (Governance and Resources) and the Chief Finance Officer to ensure that appropriate audit resources are available to provide assurance over the Council's activities. External assurance work will result in an assurance statement to the organisation's Board and recommendations to senior management.
- 4.6 Internal Audit may undertake consultancy work in addition to its primary assurance role. The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the annual assurance process. In line with the PSIAS, approval will be sought from the Audit Panel/Greater Manchester Pension Fund Local Board before any significant unplanned consultancy work is accepted.

5. RESPONSIBILITY

- 5.1 The Head of Risk Management and Audit Services is responsible for:-
- Developing an annual audit plan based on an understanding of the significant risks to which the organisation is exposed.

- The determination and development of a strategic plan for the service. This strategic plan will establish the future strategic direction for Internal Audit within the Council.
- The management of the provision of a complete professional internal audit service to the Council that is compliant with the Public Sector Internal Audit Standards.
- The monitoring and reporting of the performance of the Internal Audit service in accordance with the Internal Audit Performance Management Framework.
- The production and reporting of an annual audit opinion based on the outcomes of internal audit work conducted throughout the year.
- Providing advice and guidance on risks and the application and development of internal controls.
- The fostering of good working relationships with External Audit with an aim to achieving mutual recognition and respect, leading to a joint improvement in performance and the avoidance of unnecessary duplication of work.
- Internal audit will assess all matters of potential fraud or irregularity in line with the requirement of the Council's Anti-Fraud, Bribery and Corruption Statement of Intent. Internal audit will undertake investigations into such matters under the direction and guidance of the Standards Panel.

6. RESOURCING AND STAFFING MATTERS

- 6.1 Internal Audit will be staffed according to the staffing structure as approved by the Executive Team and the Audit Panel. The two-year plan for internal audit staffing will be as defined within the Internal Audit Strategy and will aim to maintain a suitable mix of experienced and qualified staff.
- 6.2 Individual training needs are established and agreed through the Annual Progress Review process and an appropriate training budget will be maintained to ensure training needs are addressed each year.

7. ETHICS

- 7.1 The Public Sector Internal Audit Standards (PSIAS) contain a Code of Ethics which is mandatory for all internal auditors in the public sector. In addition, individual staff are also required to adhere to the Codes of Ethics of their professional bodies where appropriate.
- 7.2 Internal Audit has adopted the PSIAS Code of Ethics to replace the previous internal code. Staff will be reminded of the need to comply with the Code on an annual basis.

8. LIMITATIONS OF INTERNAL AUDIT RESPONSIBILITIES

- 8.1 In seeking to discharge the responsibilities detailed above, and in line with the responsibilities of Internal Audit set out in 1.5 above, it should be noted that the Internal Audit Service is not responsible for:-
- Controlling the risks of the Council.
 - Establishing and maintaining systems of internal control.
 - Determining operational policies or procedures.
 - Ensuring the prevention or detection of fraud and irregularity.

9. REPORTING

- 9.1 All internal audit assignments will be the subject of formal reports. Draft reports will be sent to the manager(s) responsible for the area under review for agreement of the factual accuracy of findings and the implementation of recommendations made to address weaknesses in internal controls.
- 9.2 Once agreed, final reports are issued to the following:-
- Executive Member – responsible for area under review;
 - Chief Executive;
 - Executive Director (Governance and Resources);
 - Chief Finance Officer (Section 151 Officer);
 - Relevant other Executive Director;
 - Appropriate Service Areas Managers;
 - Head of Resource Management – responsible for area under review; and
 - External Audit.
- 9.3 All audit reports issued contain an audit opinion on the level of assurance. The three assurance levels used are:-
- High
Some enhancements to controls were identified in a few areas – improvements are required to systems in place to further manage and control the risks.
 - Medium
Controls were not operating effectively in some areas – improvements are required to the system in place to manage and control risks.
 - Low
Control weaknesses were identified in a large number of areas – numerous improvements are urgently required to systems in place, to effectively manage and control the risks.
- 9.4 Internal Audit will report regularly on the results of its work to Senior Management and the Audit Panel/Greater Manchester Pension Fund Local Board, highlighting significant control issues and the potential for improving risk management, internal control processes and where appropriate value for money and efficiency.

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TAMESIDE MBC

INTERNAL AUDIT

**QUALITY ASSURANCE
AND IMPROVEMENT
PROGRAMME
2017/18**

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1. INTRODUCTION

- 1.1 Internal Audit's Quality Assurance and Improvement Programme is designed to provide reasonable assurance to the various stakeholders of the Internal Audit activity that Internal Audit:
- Performs its work in accordance with its Charter, which is consistent with The Public Sector Internal Audit Standards definition of Internal Auditing and Code of Ethics;
 - Operates in an effective and efficient manner; and
 - Is perceived by stakeholders as adding value and improving Internal Audit's operations.
- 1.2 Internal Audit's Quality Assurance and Improvement Programme covers all aspects of the Internal Audit activity in accordance with the Public Sector Internal Audit Standards, Standard 1300 (Quality Assurance and Improvement Programme), including:
- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner;
 - Ensuring compliance with the Public Sector Internal Audit Standards definition of Internal Auditing and Code of Ethics;
 - Helping the Internal Audit activity add value and improve organisational operations;
 - Undertaking both periodic and on-going internal assessments; and
 - Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit Panel and the Greater Manchester Pension Fund Local Board in accordance with Standard 1312.
- 1.3 The Head of Risk Management and Audit Services is ultimately responsible for the Quality Assurance and Improvement Programme, which covers all types of Internal Audit activities, including consulting.

2. INTERNAL ASSESSMENTS

- 2.1 In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

On-going Reviews

- 2.2 Continual assessments are conducted through:
- Management supervision of all engagements;
 - Structured, documented review of working papers and draft reports by Internal Audit management;
 - Audit Policies and Procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards;
 - Internal Quality Control Checklist to ensure consistency of reporting and reduce administrative error (Appendix A);
 - Feedback from audit clients obtained through Customer Satisfaction Questionnaires at the closure of each engagement (Appendix B);
 - Monitoring of internal performance targets (Appendix C) and annual outturn reporting to the Audit Panel;
 - Review and approval of all final reports, recommendations and levels of assurance by the Head of Risk Management and Audit Services and Principal Auditors; and
 - Regular team briefings.

Periodic Reviews

- 2.3 Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Public Sector Internal Audit Standards definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of Internal Audit in meeting the needs of its various stakeholders. Periodic assessments are conducted through:

- Quarterly Update Reports, presented to the Audit Panel;
- Annual risk assessments, in accordance with the Internal Audit Strategy 2017-18, for the purposes of annual audit planning;
- Annual review of the Effectiveness of Internal Audit, undertaken by the Head Risk Management and Audit;
- Annual review of compliance against the requirements of this Quality Assurance and Improvement Programme, the results of which are reported to the Audit Panel;
- Feedback from the Assistant Executive Director (Finance) and Audit Panel to inform the annual appraisal of the Head of Internal Audit, in accordance with Standard 1100;
- Periodic Skills and Competency exercise to be conducted for each Internal Auditor based on the principles of the CIPFA Guidance document “The Excellent Internal Auditor” (2010) to inform the appraisal process and identify individual training and development needs.

2.4 Results of internal assessments will be reported to the Audit Panel annually. The Head of Risk Management and Audit will implement appropriate follow-up to any identified actions to ensure continual improvement of the service.

2.5 Any significant areas of non-compliance with the Public Sector Internal Audit Standards that are identified through internal assessment will be reported in the Head of Risk Management and Audit’s Annual Report and used to inform the Annual Governance Statement.

3. EXTERNAL ASSESSMENTS

3.1 External assessments will appraise and express an opinion about Internal Audit’s conformance with the Public Sector Internal Audit Standards definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

Frequency of External Assessment

3.2 An external assessment will be conducted at least every five years, in accordance with the Public Sector Internal Audit Standards. A system of Peer Reviews will be undertaken across the North West Chief Audit Executive Group. The Council’s Internal Audit Service will be assessed during the second half of 2017/18.

Scope of External Assessment

3.3 The external assessment will consist of a broad scope of coverage that includes the following elements of Internal Audit activity:

- Conformance with the *Standards*, Definition of Internal Auditing, the Code of Ethics, and Internal Audit’s Charter, plans policies, procedures, practices, and any applicable legislative and regulatory requirements;
- Integration of the Internal Audit activity into Tameside’s governance framework, including the audit relationship between and among the key groups involved in the process;
- Tools and techniques used by Internal Audit;
- The mix of knowledge, experiences, and disciplines within the staff, including staff focus on process improvement delivered through this Quality Assurance and Improvement programme;
- A determination whether Internal Audit adds value and improves Tameside’s operations.

3.4 Results of external assessments will be provided to the Executive Director (Governance, Resources and Pensions) and the Assistant Executive Director (Finance) and the Audit Panel. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified. Any significant areas of

non-compliance will be reported in the Annual Report of the Head of Risk Management and Audit and in the Annual Governance Statement.

4. **REVIEW OF THE QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

- 4.1 This document will be appropriately updated following any changes to the Public Sector Internal Audit Standards or Internal Audit's operating environment and will be reviewed at least on an annual basis.

QUALITY CONTROL CHECKLIST

| QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS | | | |
|--|--|------------------------------|---------------------------------|
| No. | Task | AUDITOR INITIALS/DATE | SUPERVISOR INITIALS/DATE |
| 1 | ASSIGNMENT PLANNING | | |
| 1.1 | <p>Before an audit is allocated, the Principal Auditor needs to speak to the relevant AED and ask if the audit is still relevant and whether there are any issues in the area preventing us from doing the work.</p> <p>Need to ascertain from the AED if there are any:</p> <ul style="list-style-type: none"> • Ombudsman complaints • Significant CRM complaints • Court Proceedings against the Council • HR Issues • To confirm the Executive Member <p>Principal Auditor to also check with Insurance to ensure there are no insurance issues/claims.</p> | | |
| 1.2 | If any issues are highlighted, discuss further with HR/Legal to determine whether the audit should go ahead or be postponed. | | |
| 1.3 | Assignment allocated to auditor(s) from Audit Plan and Galileo updated. | | |
| 1.4 | Speak to key Auditee to agree the timing of the audit. | | |
| 1.5 | <p>Familiarisation with audit area by reading/ reviewing:</p> <ul style="list-style-type: none"> • Business Plan/other background papers/information (Intranet) • Review previous working paper file, report and PAR if applicable and note any outstanding issues, which may impact upon the terms of reference. • CIPFA Matrices • TIS Online • Better Governance Forum | | |
| 1.6 | Meet with key auditee(s) to discuss and agree the Terms of Reference and the expected dates for the Draft Report and Closure | | |

| QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS | | | |
|--|---|------------------------------|---------------------------------|
| No. | Task | AUDITOR INITIALS/DATE | SUPERVISOR INITIALS/DATE |
| | Meeting. Request access to the relevant systems as required. Also request any data downloads/reports that could be obtained to carry out analysis and testing. | | |
| 1.7 | Draft Terms of Reference for review by Principal/Senior Auditor | | |
| 1.8 | Email approved Terms of Reference to: Auditee AED/ED Chief Executive (SP) Monitoring Officer (SS) Section 151 Officer (BJ) Executive Member ** AED Legal Services AED People and Workforce Development Head of Resource Management External Audit (GM) BCC to Head of Risk Management and Audit ** Check the Executive Member is still relevant and whether they have an assistant. | | |
| 1.9 | Update Galileo with audit start date and the date the Terms of Reference was issued. | | |
| 2 | FIELDWORK | | |
| 2.1 | For each area of risk being reviewed, identify expected controls that need to be in place to manage those risks. Each risk and its expected controls need to be entered onto Galileo on the Internal Control Evaluation/Action Plan (ICEAP). | | |
| 2.2 | To ascertain the actual controls in place send a copy of the ICEAP to the auditee and make an appointment to visit them to agree the actual controls. | | |
| 2.3 | Record the actual controls in place as per management on the ICEAP at the meeting using your laptop where possible to reduce re-working. | | |

| QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS | | | |
|--|--|------------------------------|---------------------------------|
| No. | Task | AUDITOR INITIALS/DATE | SUPERVISOR INITIALS/DATE |
| 2.4 | Compare the actual controls against the expected controls. | | |
| 2.5 | Where there is no control or the control is unsatisfactory, record this as a finding and make an appropriate recommendation. | | |
| 2.6 | Where the control appears to be satisfactory identify your testing and complete the testing section within Galileo. | | |
| 2.7 | Agree test programme and prioritisation of the tests with Principal/Senior Auditor. | | |
| 2.8 | Conduct tests and record results in Galileo in the Testing sections, attaching working papers where appropriate. Use IDEA where possible to select samples and also to carry out tests. | | |
| 2.9 | Monitor time closely to ensure planned days are not exceeded. Ensure you leave yourself with some contingency days to undertake follow up work needed after the Draft Report and working papers have been reviewed by Principal/Senior. | | |
| 2.10 | If you think you will exceed your planned days, you need to discuss progress with your Principal/Senior to review the scope and testing plan for the audit. | | |
| 2.11 | Update the ICEAP with test results in terms of concise findings and recommendations. | | |
| 2.12 | Discuss findings and recommendations with key auditee(s). Do not indicate what level of assurance may be allocated at this stage, in case it is altered when it is reviewed. | | |
| 3 | REPORTING | | |
| 3.1 | Produce the Draft Report comprising of Executive Summary, ICEAP and appropriate audit opinion. | | |
| 3.2 | Ensure all required documents in respect of | | |

| QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS | | | |
|--|---|------------------------------|---------------------------------|
| No. | Task | AUDITOR INITIALS/DATE | SUPERVISOR INITIALS/DATE |
| | the audit are scanned into Galileo and stored in the working papers section. | | |
| 3.3 | Pass the completed work and Draft report to Principal/Senior Auditor for review. | | |
| 3.4 | Review notes compiled by Principal/Senior Auditor and followed up by Auditor concerned. | | |
| 3.5 | If any HR or legal issues have been identified as part of the audit please arrange to speak to the AED Legal Services or People and Workforce Development for clarification. The objective here is to ensure that Legal agree with the auditee and that HR can give consideration to issues highlighted as there may be wider implications. | | |
| 3.6 | Auditor to start completion of the Job Appraisal Sheet. | | |
| 3.7 | Send Draft Report to each Auditee via e-mail, stating that they will be contacted to arrange a closure meeting to discuss the report and obtain management responses. Inform auditee(s) that they will be expected to have prepared responses to the recommendations and completed the action plan prior to the closure meeting. | | |
| 3.8 | If a LOW Level of Assurance is given ensure that the appropriate AED is sent a copy of the Draft Report. | | |
| 3.9 | Update Galileo accordingly. | | |
| 3.10 | Arrange Closure Meeting within two weeks (of issue date) with all auditees responsible for implementing the recommendations (Principal/Senior Auditor to attend as appropriate). | | |
| 3.11 | Attend Closure Meeting. At the meeting check again with all present whether there are any: <ul style="list-style-type: none"> • Ombudsman complaints • Significant CRM complaints • Court Proceedings against the Council | | |

| QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS | | | |
|---|---|-----------------------|--------------------------|
| No. | Task | AUDITOR INITIALS/DATE | SUPERVISOR INITIALS/DATE |
| | <ul style="list-style-type: none"> • HR Issues • Confirm the Executive Member and/or Assistant <p>Also check again with Insurance to ensure there are no insurance issues/claims?</p> | | |
| 3.12 | If there are any issues the audit must be discussed with the Head of Risk Management and Audit Services. | | |
| 3.13 | Compile Final Report, incorporating management responses within the Action Plan. (Also, action to be taken by whom and by when) | | |
| 3.14 | Final Report reviewed by Principal/Senior Auditor. | | |
| 3.15 | If any Legal or HR implications (or references to Legal/HR) have come to light in any of the management responses these must be referred to Aileen Johnson and Tracy Brennand for clearance before the AED/ED is asked to sign off the report. | | |
| 3.16 | <p>Final Report to be signed off by AED/ED – Ask AED/ED if any:</p> <ul style="list-style-type: none"> • Ombudsman complaints • Significant CRM complaints • Court Proceedings against the Council • HR Issues • To confirm the Executive Member and/or Assistant <p>Also check again with Insurance to ensure there are no insurance issues/claims?</p> | | |
| 3.17 | Email Final Report to Head of Risk Management and Audit for review before it is issued. If no response is received within two weeks send a reminder email. | | |
| 3.18 | <p>Once review points have been cleared email Final Report in PDF format to:</p> <p>Auditees Executive Director/Assistant Executive Director,</p> | | |

| QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS | | | |
|---|---|-----------------------|--------------------------|
| No. | Task | AUDITOR INITIALS/DATE | SUPERVISOR INITIALS/DATE |
| | Chief Executive (SP) Monitoring Officer (SS) Section 151 Officer (BJ) Executive Member(s)/Assistant Head of Resource Management External Audit | | |
| 3.19 | If the Level of Assurance is LOW email a copy of the report to Councillors Jim Fitzpatrick and Bill Fairfoull. | | |
| 3.20 | Update Galileo accordingly, ensuring that the Level of assurance is entered correctly and that a copy of the Final Report is saved. | | |
| 3.21 | Email Customer Questionnaire (CQ) and update Galileo accordingly. Add calendar date for follow up in two weeks. | | |
| 3.22 | If CQ is not returned within two weeks of issue, chase it up and ensure receipt of completed questionnaire. Any problems should be reported to Principal/Senior Auditor. | | |
| 3.23 | Enter date of receipt and CQ results into Galileo. | | |
| 3.24 | Job Appraisal Sheet to be completed and discussed with Auditor. | | |
| 3.25 | Ensure that Galileo has been updated, a copy of the Final Report uploaded and the Level of Assurance recorded correctly. | | |
| 3.26 | Auditor to schedule the PAR in calendar for three or six months time depending on level of assurance given. | | |
| 3.27 | Update the PAR Spreadsheet with details. | | |
| 3.28 | Scan the completed QCC into Galileo | | |
| 4 | FOLLOW UP | | |
| 4.1 | Before a Post Audit Review (PAR) is allocated, the Principal Auditor needs to speak to the relevant AED and ask if the PAR is still relevant and whether there are any | | |

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS

| No. | Task | AUDITOR INITIALS/DATE | SUPERVISOR INITIALS/DATE |
|-----|---|-----------------------|--------------------------|
| | <p>issues in the area preventing us from doing the work.</p> <p>Need to ascertain from the AED if there are any:</p> <ul style="list-style-type: none"> • Ombudsman complaints • Significant CRM complaints • Court Proceedings against the Council • HR Issues • To confirm the Executive Member and/or Assistant <p>Principal Auditor to also check with Insurance to ensure there are no insurance issues/claims.</p> | | |
| 4.2 | Principal Auditor to determine the number of days for the PAR and update Galileo accordingly. | | |
| 4.3 | When allocated with a PAR issue the Post Audit Review documentation to the responsible Officers. | | |
| 4.4 | Update the PAR spreadsheet. | | |
| 4.5 | Arrange a meeting to discuss the PAR and obtain confirmation of what action has been taken. | | |
| 4.6 | Conduct PAR, based upon information obtained/ received. Ensure that adequate testing is undertaken and evidence is obtained and uploaded on to Galileo to support implementation of the recommendation(s). | | |
| 4.7 | Compile PAR, incorporating management responses and Internal Audit Findings. | | |
| 4.8 | PAR reviewed by Principal/Senior Auditor. | | |
| 4.9 | If any Legal or HR implications (or references to Legal/HR) have come to light these must be referred to Aileen Johnson and Tracy Brennan for clearance before the AED/ED is asked to clear the report. | | |

| QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS | | | |
|---|--|-----------------------|--------------------------|
| No. | Task | AUDITOR INITIALS/DATE | SUPERVISOR INITIALS/DATE |
| 4.10 | Obtain sign-off from AED/ED - Ask AED/ED if any complaints, ombudsman complaints or HR issues are ongoing which may be affected if the PAR were to be issued. | | |
| 4.11 | Email a copy of PAR to the Head of Risk Management and Audit for comments. Indicate the Level of Assurance given at the audit and whether it contains any outstanding significant recommendations that need to be reported to the Audit Panel or Greater Manchester Pension Fund's Local Board. If no response is received within two weeks send a reminder email. | | |
| 4.12 | Once review points have been cleared issue PAR (in PDF Format) to all recipients of the Final Report. | | |
| 4.13 | Update Galileo accordingly | | |
| 4.14 | Update the PAR Spreadsheet accordingly. | | |
| 4.15 | Save a copy of the finalised PAR in Galileo. | | |
| 4.16 | If a follow up PAR is needed, schedule in calendar, update Galileo and the PAR Spreadsheet accordingly. | | |
| 4.17 | Scan the completed QCC into Galileo | | |
| 4.18 | When the follow up PAR is due, follow steps 4.1 – 4.17 if applicable. | | |

Please Note

The corporate standard for report writing is as follows:-

Arial 11
 Justified
 2cm Margins
 Date Format - xx Month 2015

Audit specific standards:-

Do not use '&'
 Do not use don't, haven't etc.

CUSTOMER SATISFACTION QUESTIONNAIRE

To:
Audit
Title:
Auditor:

Date:
Project
Ref:

In accordance with the concept of Continual Improvement, the Internal Audit Section is continually monitoring and striving to improve its methods of operation, with the aim of giving you a better service.

Part of this process involves obtaining your opinion on individual audits, the process adopted and the conduct of audit staff.

Your comments/feedback is important to us, not only will it be used to improve the audit process but also to identify training needs for individual auditors.

| | Excellent | Good | Fair | Weak | Unsatisfactory |
|---|-----------|------|------|------|----------------|
| AUDIT PLANNING | | | | | |
| Consultation on audit coverage, process and timing | | | | | |
| AUDIT PROCESS | | | | | |
| Were interruptions to your operations kept to a minimum? | | | | | |
| How well did we achieve the scope and objectives? | | | | | |
| Did the audit cover the relevant business risks? | | | | | |
| QUALITY OF AUDIT REPORT | | | | | |
| Clarity of report | | | | | |
| How well did we communicate the findings of the audit prior to issuing the draft report? | | | | | |
| Accuracy of audit findings | | | | | |
| Value/practicality of audit recommendations | | | | | |
| TIMING | | | | | |
| Duration of the audit | | | | | |
| Timeliness of the draft audit report | | | | | |
| AUDITOR | | | | | |
| Communication with yourself and auditees. | | | | | |
| At the conclusion of the audit how well did the auditor understand the subject? | | | | | |
| Was the auditor responsive to what he/she was told? | | | | | |
| How well were queries that arose during the audit dealt with? | | | | | |
| EQUALITY | | | | | |
| During the audit process have you been treated fairly with regards to ethnicity, gender, disability, age, religion/belief and sexual orientation? | | | | | |

If Unsatisfactory or Weak is selected please explain why. We cannot improve without knowing the reasons behind these lower scores.

- Was there anything about the audit that you especially liked/disliked?
- Do you have any comments about the format of the audit report?
- Was the audit useful?
- Was the audit relevant?
- Have you any suggestions as to how we can improve?

Signed

Date

**Thank you for taking the time to complete this questionnaire.
Please return it to Wendy Poole, Audit Manager in Room 2.33a or by email
(wendy.poole@tameside.gov.uk)**

INTERNAL AUDIT – PERFORMANCE TARGETS

| CATEGORY | DESCRIPTION | NARRATIVE | HOW IT'S MEASURED | TARGET |
|------------|---|---|---|----------------|
| COMPLIANCE | Public Sector Internal Audit Standards Compliance | Level of compliance with requirements of Public Sector Internal Audit Standards / Local Government Application Note | Annual Self-Assessment / External Assessment (5 yearly) | 100% |
| OUTPUTS | Audit coverage | % of Plan Complete | Audit time recording / workflow management system | 90% |
| OUTPUTS | Audit Impact | % Recommendations Implemented | Audit time recording / workflow management system | 90% |
| QUALITY | Customer Satisfaction | 90% of customers "satisfied ≥ 65%" | Customer Satisfaction Questionnaire | 100% |
| OUTPUTS | Fraud Cases | No. of Irregularities Reported/Investigated | Audit time recording / workflow management system | Downward Trend |

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