

## AUDIT PANEL

**Day:** Tuesday  
**Date:** 6 March 2018  
**Time:** 2.00 pm  
**Place:** Lesser Hall 2 - Dukinfield Town Hall

Item No.	AGENDA	Page No
1.	<b>APOLOGIES FOR ABSENCE</b> To receive any apologies for the meeting from Members of the Panel.	
2.	<b>DECLARATIONS OF INTEREST</b> To receive any declarations of interest from Members of the Panel.	
3.	<b>MINUTES</b> The Minutes of the meeting of the Audit Panel held on 24 October 2017 to be signed by the Chair as a correct record.	1 - 4
4.	<b>GRANT CERTIFICATION LETTER 2016-17</b> To consider a report of the Director of Finance	5 - 10
5.	<b>EXTERNAL AUDIT PLAN 2017-18</b> To consider a report of the Director of Finance.	11 - 28
6.	<b>ACCOUNTING POLICIES AND ESTIMATES FOR 2017/18 ACCOUNTS</b> To consider a report of the Director of Finance.	29 - 52
7.	<b>GRANT THORNTON ASSURANCE</b> To consider a report of the Director of Finance.	53 - 64
8.	<b>CIPFA FRAUD AND CORRUPTION TRACKER</b> To consider a report of the Director of Finance.	65 - 80
9.	<b>RISK MANAGEMENT</b> To consider a report of the Director of Finance.	81 - 108
10.	<b>PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL 2017 TO 2 FEBRUARY 2018</b> To consider a report of the Director of Finance.	109 - 140

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**11. URGENT ITEMS**

To consider any additional items the Chair is of the opinion shall be dealt with as a matter of urgency.

## AUDIT PANEL

24 October 2017

**Commenced:** 2.00 pm

**Terminated:** 2.40 pm

**Present:** Councillors Ricci (Chair), Affleck (Deputy Chair), Bailey, Buckley, Fairfoull, J Fitzpatrick, Peet and K Welsh

**In Attendance:**

Sandra Stewart	Director of Governance and Pensions
Tom Wilkinson	Assistant Director of Finance
Wendy Poole	Head of Risk Management and Audit Services

**Apologies for Absence:** None

### 12. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 13. MINUTES

The Minutes of the proceedings of the meeting of the Audit Panel held on 30 May 2017 were agreed and signed as a correct record.

### 14. PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL TO SEPTEMBER 2017

Consideration was given to a report of the Director of Finance and Head of Risk Management and Audit Services detailing the work undertaken by the Risk Management and Internal Audit Service between April and September 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 2017/18 were detailed as follows:-

- To review the risk management system to ensure that it complied with best practice but was 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 in May 2018;
- To review the Business Continuity Management system in place to streamline the process to create a management tool that was workable, with the capability to provide knowledge and information should a major incident occur affecting service delivery; and
- 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 the risk management system was under review and work was ongoing to review the Information Governance Framework in light of the introduction of the General Data Protection Regulations, which would become applicable in May 2018. A suite of documents to be used across Greater Manchester was under construction.

With regard to Internal Audit, reference was made to the Audit Plan, which had been approved in May 2017 and covered the period April 2017 to March 2018. An update on progress against the plan to 30 September 2017 was provided. It was reported that 42% of the audit plan had been achieved so far, which was in line with previous years. It was explained that a detailed review of the audit plan was currently underway in conjunction with senior management and a revised plan would be reported to a future meeting of the Panel.

During the first half of the year, eight Final Reports had been issued in relation to systems, risk and managed audits. In addition, seven draft reports had been issued for management review and responses and these would be reported to the Panel in due course. Nine school audits were completed during the period, the results of which were summarised. In addition, two further audits had been completed and the draft reports had been issued to the Schools for management review and responses. 12 Post Audit Reviews had been completed during the period and a further 21 were in progress.

It was reported that the review of Internal Audit against the Public Sector Internal Auditing Standards (PSIAS) highlighted that the service was fully compliant with the requirements of the standard. PSIAS, introduced from April 2013, required at Standard 1312 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 Peer Review for the Council would be conducted by Blackpool and Bolton and take place in March 2018.

An update was given on the annual governance statement development areas as follows:-

- Children's Services
- Risk Management and Business Continuity Planning
- Health and Safety
- Managing Change
- Care Together
- Vision Tameside
- Pension Fund Pooling of Investments

An update was also provided on work undertaken on National Anti-Fraud Network Data and Intelligence Services.

With regard to Irregularities / Counter Fraud Work a summary of cases, which had been investigated during the period April to September 2017, was provided. In total, 18 cases had been received with 11 still under investigation. A table detailing the fraud type, number of cases, value and amount recovered to date was discussed. Members requested that for future reporting the table contained within the report should include a column detailing the number of cases from the previous year.

In relation to Local Audit and Accountability Act 2014, it was confirmed that Mazars had been appointed as the Council's new external auditor from 2018/19 following the procurement process undertaken by Public Sector Audit Appointments Limited.

**RESOLVED:**

**That the report and performance of the Service Unit for the period April to September 2017 be noted.**

## **15. URGENT ITEMS**

There were no urgent items.

**CHAIR**

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# Agenda Item 4.

<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	6 March 2018
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance Tom Wilkinson – Assistant Director of Finance
<b>Subject:</b>	<b>GRANT CERTIFICATION LETTER 2016-17</b>
<b>Report Summary:</b>	The attached letter from Grant Thornton sets out the results of the Housing Benefit Subsidy Grant Certification work completed in respect of 2016/17.
<b>Recommendations:</b>	That the grant certification letter is noted.
<b>Links to Community Strategy:</b>	Effective corporate governance and a robust approach to economy, efficiency and effectiveness underpin the delivery of the Community Strategy.
<b>Policy Implications:</b>	There are no wider policy implications arising from this report.
<b>Financial Implications: (Authorised by the Section 151 Officer)</b>	The certification of the grants outlined in the report ensures that the level of grant income received is maximised and correctly stated.
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	Demonstrates compliance with the Accounts and Audit Regulations 2011.
<b>Risk Management:</b>	The Council has arrangements in place to ensure that the Council meets the required standards in financial reporting. External Audit provides a source of assurance over these arrangements.
<b>Access to Information:</b>	The background papers relating to this report and any further information can be obtained from the report writer, Heather Green, Finance Business Partner



Telephone: 0161 342 2929



e-mail: [heather.green@tameside.gov.uk](mailto:heather.green@tameside.gov.uk)

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# Grant Thornton

An instinct for growth<sup>TM</sup>

Kathy Roe  
Director of Finance  
Tameside Metropolitan Borough Council  
Dukinfield Town Hall  
King Street  
Dukinfield  
SK16 4LA

7 February 2018

Dear Kathy

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

T +44 (0)161 234 6362

[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

## **Certification work for Tameside Metropolitan Borough Council for year ended 31 March 2017**

We are required to certify the Housing Benefit subsidy claim submitted by Tameside Metropolitan Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £84.5 million. Further details are set out in Appendix A.

We identified a small number of minor issues from our certification work which we wish to highlight for your attention:

- we identified five cases in our extended testing of non-HRA rent rebate where the incorrect LHA rate had been used. These all related to the same property. The Council reviewed all instances where this property had been used and amended the subsidy claim accordingly.
- we identified one case in our extended testing of non-HRA rent rebate where the CAPITA system had not correctly split the benefit paid between up to the LHA rate and above the LHA rate. The Council reviewed all instances where this occurred and amended the subsidy claim accordingly.
- we identified one case in our extended testing of non-HRA rent rebate testing where the LHA rate had been incorrectly input. This resulted in an underclaim of subsidy of £0.40 which extrapolated over the whole of the population would result in an underclaim of £3.
- we identified one case in our initial testing of rent allowance where the claim had been reassessed except for three days in the middle of the claim period. This resulted in an overpayment of £2.74. This was a CAPITA system problem for which Council staff were unable to offer an explanation.
- we identified three cases in our extended testing of overpayments of rent allowance where the overpayment had been misclassified as eligible error rather than LA error. Our sample identified an error of £29.73 which if extrapolated over the whole of the population would result in an overpayment of £3,783.

The extrapolated financial impact on the claim, which we have reported to the DWP, was insignificant to the total subsidy receivable.

As a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £24,323. This is set out in more detail in Appendix B.

Yours sincerely

A handwritten signature in black ink that reads "Grant Thornton UK LLP". The signature is written in a cursive, flowing style.


Grant Thornton UK LLP

**Appendix A - Details of claims and returns certified for 2016/17**

<b>Claim or return</b>	<b>Value</b>	<b>Amended?</b>	<b>Amendment value</b>	<b>Qualified?</b>	<b>Comments</b>
Housing benefits subsidy claim	£84,510,125	Yes	£7,129	Yes/No	See above

**Appendix B: Fees for 2016/17 certification work**

<b>Claim or return</b>	<b>2014/15 fee (£)</b>	<b>2016/17 indicative fee (£)</b>	<b>2016/17 actual fee (£)</b>	<b>Variance (£)</b>
Housing benefits subsidy claim (BEN01)	£32,430	£24,323	£24,323	£0
Total	£32,430	£24,323	£24,323	£0

<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	6 March 2018
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance Tom Wilkinson – Assistant Director of Finance
<b>Subject:</b>	<b>EXTERNAL AUDIT PLAN 2017-18</b>
<b>Report Summary:</b>	<p>As the Council's appointed External Auditors for 2017/18, Grant Thornton are required to undertake work to enable them to form and express an opinion on the:</p> <ul style="list-style-type: none"><li>- Financial statements, including the Annual Governance Statement, that have been prepared by management with the oversight of those charged with governance; and</li><li>- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in the use of resources.</li></ul> <p>The audit plan provides an overview of the planned scope and timing of the statutory audit of the Council.</p>
<b>Recommendations:</b>	That the external audit plan for 2017/18 is noted.
<b>Links to Community Strategy:</b>	Effective corporate governance and a robust approach to economy, efficiency and effectiveness underpin the delivery of the Community Strategy.
<b>Policy Implications:</b>	There are no wider policy implications arising from this report.
<b>Financial Implications: (Authorised by the Section 151 Officer)</b>	There are no direct financial implications arising from this report.
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	Demonstrates the Council's compliance with the Accounts and Audit Regulations 2011.
<b>Risk Management:</b>	The Council has arrangements in place to ensure that the Council meets the required standards in financial reporting, and that robust arrangements are in place to ensure economy, efficiency and effectiveness in the use of resources. External Audit provides a source of assurance over these arrangements.
<b>Access to Information:</b>	<p>The background papers relating to this report and any further information can be obtained from the report writer, Heather Green, Finance Business Partner</p> <p> Telephone: 0161 342 2929</p> <p> e-mail: <a href="mailto:heather.green@tameside.gov.uk">heather.green@tameside.gov.uk</a></p>

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# External Audit Plan

*Year ending 31 March 2018*

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Tameside Metropolitan Borough Council

7 March 2018

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Your key Grant Thornton  
team members are:

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Mike Thomas

Engagement Lead

T: 0161 214 6368

E: [mike.thomas@uk.gt.com](mailto:mike.thomas@uk.gt.com)

Lorraine Noak

Engagement manager

T:0121 232 5407

E: [lorraine.noak@uk.gt.com](mailto:lorraine.noak@uk.gt.com)

Mark Stansfield

Executive

T: 0161 232 6356

E: [mark.stansfield.uk.gt.com](mailto:mark.stansfield.uk.gt.com)

## Section

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3. Significant risks identified
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## Appendix

- A. Revised ISAs

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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, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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# Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Tameside Metropolitan Borough Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Tameside Metropolitan Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Overview (Audit) Panel ); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Overview (Audit) Panel of your 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.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

## Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control (presumed risk under ISA (UK) 240)
- Under ISA (UK) 540 Pension Liability estimation has a high degree of estimation uncertainty and has therefore been flagged as a significant risk
- Property Plant and Equipment. The Council revalue its assets on a rolling basis over 5 years . The CIPFA code requires that the Council ensures the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £9.5m (PY £9.8m), which equates to 2% of your forecast gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £478k (PY £250k). Materiality has been reduced for remuneration disclosures to £100k due to its sensitive nature and public interest. A specific materiality of 2% of spend with related parties will be applied to unusual Related Party Transactions

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risk:

- Ongoing concerns relating to the Ofsted Inspection of children's services

## Audit logistics

Our interim visit will take place in February and our final visit will take place in June/July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £105,107 (PY: £105,017) for the Council.

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

# Deep business understanding

## Changes to service delivery

### Commercialisation

The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version is due to be published in December 2017.

### Devolution

The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas

Tameside is a forward-looking borough in an area leading the way in regional devolution. Tameside Council is at the forefront of redefining the way public services are delivered.

During 2017/18 there has been significant investment in Adult Care Services including a number of transformational schemes which are intended to relieve the pressure on the NHS due to Delayed Transfers of Care. These schemes are now beginning to take effect but the Integrated Care FT continues to face pressure.

## Changes to financial reporting requirements

### Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

### Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.

### Minimum Revenue Provision Consultation

Due to significant changes in the regulatory and economic environment, the Government went to consultation in November 2017 in relation to the calculation of the Minimum Revenue Provision (MRP).

Draft guidance issued presents authorities with four ready made options for calculating a 'prudent provision'. Authorities may use a blend of these methods, taking in to account of different types of debt.

If passed, new statutory guidance will come in to force from 1 April 2018.

## Key challenges

### Financial pressures

The overall forecast position at Quarter 2 is a net position of £0.738m under budget.

However this masks a significant overspend within Children's services. Forecast at Quarter 2 to be £7.3m overspent. It is expected that further investment is required in this area to achieve a positive outcome in relation to Ofsted's findings.

Underspends on corporate budgets have supported the outturn for 2017/18.

This needs to be considered in light of the Medium Term Financial Strategy Unless mitigating strategies are put in place there will be an increased requirement for savings in 2018/19 and 2019/20.

### Impacts of Grenfell Tower fire

The Grenfell Tower fire disaster in 2017 has led to the identification of approximately 150 high rise buildings in local authority ownership that have failed fire safety. DCLG are reviewing the current restrictions on the use of the financial resources that prevent local authorities from making essential fire safety upgrades.

Following the Grenfell Tower disaster a full review of Tameside owned high rise buildings, including schools was carried out. None of the buildings were found to have cladding of the type that caused the Grenfell disaster. Continued assurance that appropriate reviews are carried out by Housing Associations and close work with Greater Manchester Fire & Rescue Authority continues.

## Our response

- We will consider your arrangements for managing and reporting your financial resources, including your progress on devolution and use of investment vehicles as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.

# Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<div> <div> <div>Page 17</div> </div> <div> <b>The revenue cycle includes fraudulent transactions</b> </div> </div>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue 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 ISA(UK)240 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"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Tameside Metropolitan Borough Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for the Council.</p>
<div> <div> <div>Page 17</div> </div> <div> <b>Management over-ride of controls</b> </div> </div>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness</li> <li>• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness</li> <li>• evaluate the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of property, plant and equipment</b>	<p>The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p> <p>.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>consider the competence, expertise and objectivity of any management experts used.</li> <li>discuss with the valuer the basis on which the valuation is carried out and challenge of the key assumptions.</li> <li>review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>test revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>evaluate 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.</li> <li>test material additions and disposals and review the depreciation calculation</li> <li>review the Councils consideration of asset impairment</li> </ul>
<b>Valuation of pension fund net liability</b>	<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>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>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</li> <li>evaluate 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</li> <li>undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary</li> <li>check the Council's accounting for its prepayment to the pension fund during 2017/18</li> </ul>

# Reasonably possible 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 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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Employee remuneration</b>	<p>Payroll expenditure represents a significant percentage of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<ul style="list-style-type: none"> <li>We will</li> <li>evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness;</li> <li>gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls;</li> <li>agree payroll expenditure from sub-systems to general ledger control accounts</li> <li>perform a predictive analytical review of payroll expenditure and compare to the reported figures</li> </ul>
<b>Operating expenses</b>	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness;</li> <li>gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;</li> <li>agree creditor balance to general ledger control account</li> <li>test a sample of operating expenditure to ensure it is accounted for in the correct period</li> </ul>

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We 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 carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
  - issue of a report in the public interest; and
  - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

## 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 this report.

## 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) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# Materiality

## The concept of materiality

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. 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.

## Materiality for planning purposes

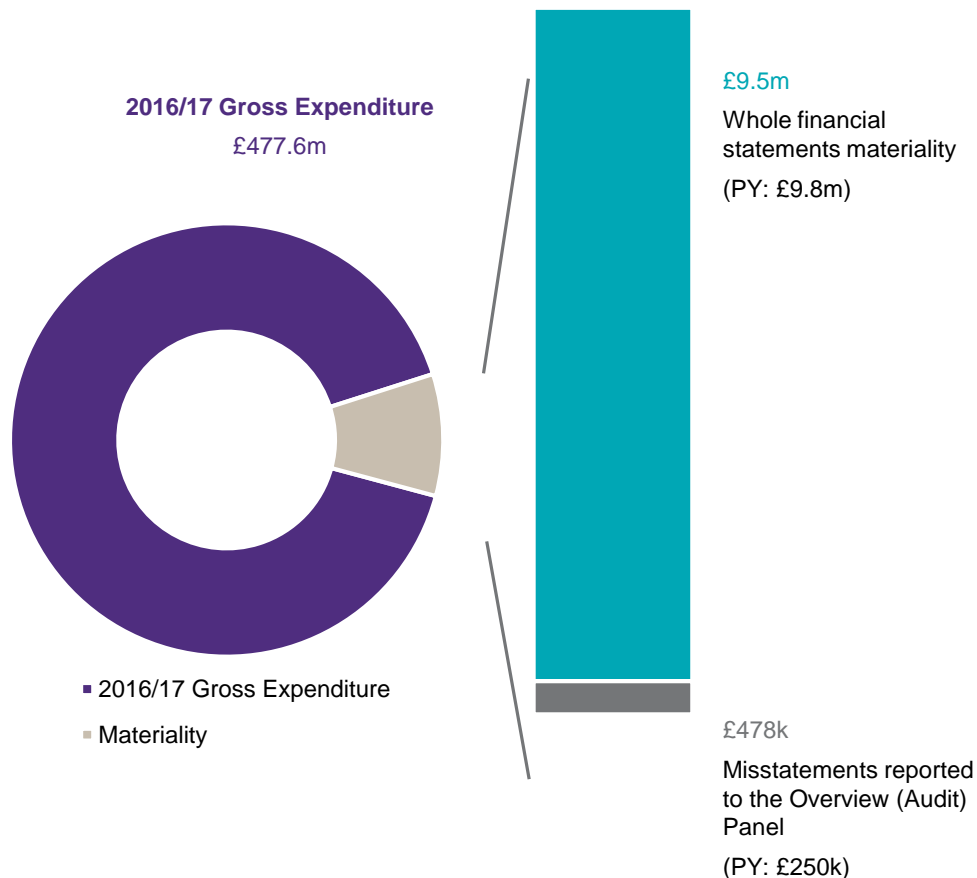
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £9.5m (PY £9.8m), which equates to 2% of your 2016/17 gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Overview (Audit) Panel any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £478k (PY £250k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Overview (Audit) Panel to assist it in fulfilling its governance responsibilities.



# Value for Money arrangements

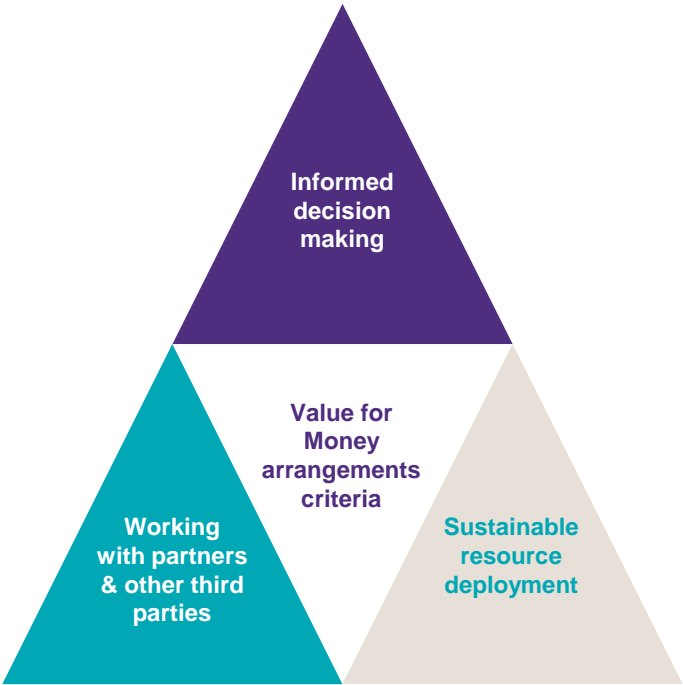
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. 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 below:



## Significant VFM risk

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



### Informed Decision Making / Resource Deployment

OFSTED rated the Council's Children's Services as inadequate in December 2016 and safeguarding board as requires improvement.

The Council is currently subject to follow up review. Key areas of concern included the backlog of cases, leadership, management and governance.

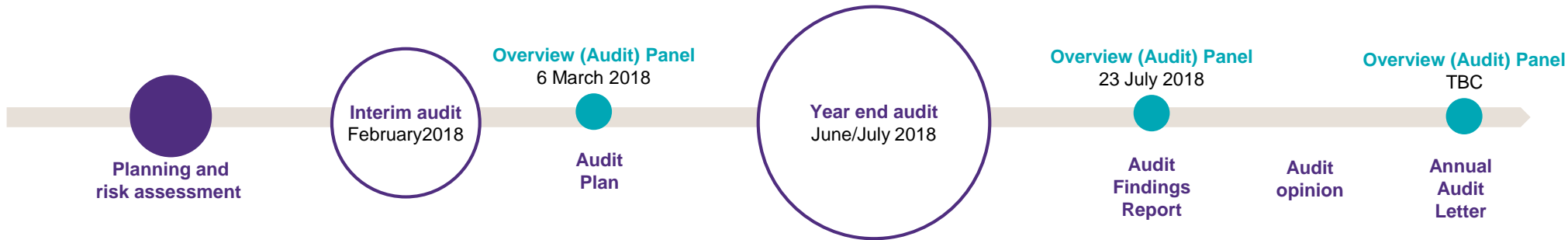
Although the Council established an Improvement Board with an external independent Chair to co-ordinate actions, there has been limited improvement and a recent inspection stated that the pace of change was too slow. A new Interim Director has recently been appointed and a new plan has been implemented.

We will review the arrangements the Council has in place to respond to the Ofsted concerns. This will include a review of the revised improvement plan.

We will review update reports from Ofsted as they become available and take these into account in forming our conclusion. We will also meet with the Director of Children's Services.



# Audit logistics, team & audit fees



## Mike Thomas, Engagement Lead

Mike's role will be to lead our relationship with you. He will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council. He will be the main point of contact for the Chair, Chief Executive and Committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice



## Lorraine Noak, Audit Manager

Lorraine will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. She will attend Audit Committees with Mike, and supervise Mark in leading the on-site team. Lorraine will undertake reviews of the team's work and draft clear, concise and understandable reports



## Mark Stansfield, Audit Incharge

Mark's role will be to be the day to day contact for the Council finance staff. He will take responsibility for ensuring there is effective communication and understanding by the finance team of audit requirements. He will lead the on-site team and will monitor deliverables, manage our query log ensuring that any significant issues and adjustments are highlighted to management as soon as possible

## Audit fees

The planned audit fees are no less than £105,017 (PY: £105,017) for the financial statements audit and £30,273 for the housing benefit subsidy audit. 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'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

# Early close

## Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Non-audit services

The following non-audit services were identified

Service	Fees £	Threats	Safeguards
<b>Audit related</b>			
Certification of Teacher's Pension Return	4,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,200 in comparison to the total fee for the audit of £105,017 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
George Frederick Byrom Trust – Independent Examination	1,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,000 in comparison to the total fee for the audit of £105,017 and in particular relative to Grant Thornton UK LLP's turnover overall. Further there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit related</b>			
CFO Insights Online service allowing rapid analysis of key financial performance data	10,000	Self-Interest (because this is a subscription, for an initial three year period (fees £10,000 per annum)	The fee for this work is negligible in comparison to the total fee for the audit and in particular the overall turnover of Grant Thornton UK LLP and the Public Sector Assurance service line. It is also a fixed fee with no contingent element. These factors mitigate the perceived self interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors . Any changes and full details of all fees charged for audit related and non-audit related 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.

None of the services provided are subject to contingent fees.

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# Appendices

## A. Revised ISAs

# Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none"><li>• The directors use of the going concern basis of accounting is appropriate</li><li>• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.</li></ul>
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none"><li>• Responsibilities of management and auditors regarding other information</li><li>• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation</li><li>• Reporting inconsistencies or misstatements where identified</li></ul>
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



**Report To:** **AUDIT PANEL**

**Date:** 6 March 2018

**Reporting Officer:** Kathy Roe – Director of Finance  
Tom Wilkinson – Assistant Director of Finance

## **ACCOUNTING POLICIES AND ESTIMATES FOR 2017/18 ACCOUNTS**

**Report Summary:** As part of the preparation for the closure of the accounts, it is timely to review with the Panel:

- 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 asked to:

- approve the accounting policies detailed at **Appendix 1** to this report;
- approve management's assessment that the preparation of the accounts on a going concern basis is appropriate (section 4); and
- note the critical judgements and major sources of estimation uncertainties as set out in section 5.

**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:** There are no direct financial implications arising from this report.  
(Authorised by Section 151 Officer)

**Legal Implications:** 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.  
(Authorised by Borough Solicitor)

**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** The background papers relating to this report and any further information can be obtained from the report writer, Heather Green, Finance Business Partner

 Telephone: 0161 342 2929

 e-mail: [heather.green@tameside.gov.uk](mailto:heather.green@tameside.gov.uk)

## **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 (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) 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. UPDATES TO THE 2017/18 CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING**

- 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 2017/18. 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 IFRS requirements.
- 2.2 There are no significant changes to the 2017/18 Code of Practice on Local Authority Accounting and no changes to accounting policies are required as a result. Minor presentational amendments have been made to improve the clarity of some accounting policies.
- 2.3 The accounting policies, as based on the requirements of 'the Code' and relevant financial standards, will be used to produce the financial statements for 2017/18 and can be seen at **Appendix 1** to this report.
- 2.4 As the Statement of Accounts for 2017/18 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 2017/18 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. GOING CONCERN

- 4.1 The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.
- 4.2 The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial resilience.
- 4.3 Preparation of the Council's accounts on a going concern basis is considered appropriate, based on the following assessment:

Criteria	Assessment
Are arrangements in place to assess the Council's ability to continue as a going concern?	Yes – the Council has effective financial management and financial planning arrangements in place including regular budget monitoring and forecasting, and the maintenance of a four year Medium Term Financial Plan (MTFP). The financial planning and monitoring process have enabled the Council to deliver significant efficiency savings and address future financial challenges. Executive Cabinet on 7 February 2018 recommended to Council a balanced budget for 2018/19. This budget report included the four year MTFP, and set out the Section 151 Officer's assessment of the Robustness of the Budget Estimates and the Adequacy of Financial Reserves.
Do events or conditions exist that may cast doubt on the Council's ability to continue as a going concern?	The MTFP is reviewed and updated at regular intervals throughout the year, and key assumptions and risks are assessed and highlighted in the annual budget report to Executive Cabinet and full Council. The MTFP highlights a number of risks and future financial challenges, which the Council will address through its financial planning processes. Whilst these risks are significant, the Council has successfully delivered significant savings and addressed the current financial challenges and therefore the going concern assumption remains appropriate.
Are arrangements in place to report the going concern assessment to members? How does the Audit Panel satisfy itself that it is appropriate to adopt the	Regular financial reports are prepared and reported to members including the budget monitoring reports, MTFP and annual budgets and Treasury Management Strategy and update reports. The Audit Panel considers the Accounting Policies and key sources of estimation uncertainty prior to the completion of the draft accounts. The draft statement of

going concern basis in the preparation of the financial statements?	accounts is also considered by the Audit Panel prior to final approval.
Are financial assumptions consistent with the business plan, statutory or policy changes, and financial forecasts? Have any significant issues been raised that cast doubt on the assumptions made?	The budget report including the MTFP considered by Executive Cabinet and full Council sets out the financial and business assumptions used to inform the budget and future financial forecasts. These assumptions are subject to regular review throughout the year and financial plans adjusted where required.
Does a review of financial information indicate any adverse financial indicators, including negative cash flows? What action is being taken to improve financial performance?	Revenue budgets and the Capital Programme are monitored regularly throughout the year and reported to members. The budget report considered in February 2018 identifies significant budget pressures in Children's Services, but these pressures are being managed through significant one off investment from reserves and a Service Improvement Plan. The Council's cash and reserves position is strong and aside from current pressures in Children's services there are no adverse financial indicators.

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

- 5.1 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**

- 5.2 The Council recognises schools in line with the provisions of the Code. 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.
- 5.3 There are currently five types of schools within the borough:
- Community schools
  - Voluntary Controlled (VC) schools
  - Voluntary Aided (VA) schools
  - Foundation / Trust schools
  - Academies
- 5.4 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.
- 5.5 In order to comply with the Code of Practice on Local Authority Accounting the Council wrote to each of the dioceses who occupy schools within the borough of Tameside in order to establish the accounting arrangements.
- 5.6 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.

- 5.7 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.
- 5.8 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**

- 5.9 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.
- 5.10 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**

- 5.11 Investment Properties have been identified using criteria under 'the Code', and are those assets held solely for rental income or for capital appreciation, or both. The assessment of Investment Properties using these criteria is subject to interpretation.

#### **Property, Plant and Equipment**

- 5.12 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.
- 5.13 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.

5.14 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**

5.15 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 (VOA) 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 2018. This is calculated using the VOA's latest list of appeals, which includes information on the average levels of successful and unsuccessful claims.

### **Debt Impairment**

5.16 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**

5.17 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**

5.18 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**

5.19 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**

5.20 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**

- 5.21 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.
- 5.22 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 (MAG)**

- 5.23 The Council's shareholding in MAG 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 MAG. 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**

- 5.24 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 30 November 2018 when the auditor-certified claim is submitted and so the amount included in the accounts could differ.

### **Reserves**

- 5.25 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.
- 5.26 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.

5.27 These and other factors must be borne in mind when estimating the required level of reserves and the anticipated profile of use.

#### **Minimum Revenue Provision**

5.28 The Council has adopted the following policy in relation to calculating the Minimum Revenue Provision (MRP):

- Borrowing taken up prior to 01/04/2015 will be provided for using a straight-line method of calculating MRP. 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 MRP 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. 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.
- 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.

## **6. RECOMMENDATIONS**

6.1 As set out at the front of the report.

# APPENDIX 1

## STATEMENT OF PROPOSED ACCOUNTING POLICIES FOR 2017/18

### STATEMENT OF ACCOUNTING POLICIES FROM 1 APRIL 2017

This document outlines how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2017/18 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.

#### 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 cost of services analysis within the Comprehensive Income and Expenditure Statement (CIES) is shown by Council Directorates in line with the revenue monitoring reports to Executive Cabinet and internal reporting. The CIES reports income and expenditure in accordance with generally accepted accounting practice. The Expenditure and Funding Analysis is then intended to demonstrate how the funding available to the Council (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

##### 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. For 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, (see section L). 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 (in excess of £10,000) 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

Billing authorities act as agents, collecting council tax and business rates on behalf of the major preceptors and, as principals, collecting council tax and business rates for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and business rates. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than predicted.

The council tax and business rates income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NNDR that must be included in the Council's General Fund. Therefore 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.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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).

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<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	6 March 2018
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>GRANT THORNTON – ASSURANCE FROM AUDIT PANEL CHAIR AND MANAGEMENT 2017/2018</b>
<b>Report Summary:</b>	Grant Thornton as part of their risk assessment procedures are required to obtain an understanding of management processes in relation to fraud risk assessment, laws and regulations and going concern considerations as part of their annual audit. The report presents the response to the letters and questionnaires received from Grant Thornton for consideration by the Panel ahead of the document being signed by the Chair of the Panel and the Director of Finance.
<b>Recommendations:</b>	That Members comment and challenge the responses detailed in <b>Appendices A and B</b> , so that the schedule can be signed by both the Chair of the Audit Panel and the Director of Finance ahead of it being provided to Grant Thornton.
<b>Links to Community Strategy:</b>	Demonstrates proper Corporate Governance
<b>Policy Implications:</b>	External audit of the Council supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
<b>Financial Implications:</b> (Authorised by the Section 151 Officer)	There are no direct financial implications.
<b>Legal Implications:</b> (Authorised by the Borough Solicitor)	Demonstrates compliance with the International Auditing Standards.
<b>Risk Management:</b>	Ensuring that the Council meets the required standards in terms of management assurance in relation to fraud risk assessment, laws and regulations and going concern considerations supports corporate governance objectives and ensures risk is minimised.
<b>Access to Information:</b>	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: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a>

## 1. INTRODUCTION

- 1.1 To comply with International Auditing Standards, Grant Thornton need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with the law and regulation. They are also required to make inquiries of both management and the Governing Body as to their knowledge of any actual, suspected or alleged fraud.
- 1.2 International Auditing Standards also place certain obligations on auditors to document management's view on some key areas affecting the financial statements.
- 1.3 The three specific areas covered are Fraud Risk Assessment, Law and Regulation and Going Concern Considerations.

## 2. ASSURANCE FROM AUDIT PANEL CHAIR AND MANAGEMENT

- 2.1 A letter was sent to the Chair of the Audit Panel requesting responses to a number of questions as follows:
  - How does the Council oversee management's processes in relation to:
    - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error;
    - identifying and responding to the risk of breaches of internal control;
    - identifying and responding to risks of fraud in the Council (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist); and
    - communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)?
  - Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
  - How does the Council gain assurance that all relevant laws and regulations have been complied with?
  - Are you aware of any actual or potential litigation or claims that would affect the financial statements?
  - How does the Council gain assurance over its ability to continue as a going concern?
- 2.2 A letter was also sent to the Director of Finance requesting responses to a number of questions.
- 2.3 A detailed schedule of questions was provided with each letter, which explores the areas above in more detail and these have been completed and are attached at **Appendices A and B**.
- 2.4 Grant Thornton have requested that the responses to the questions shown in the appendices are discussed at this meeting.

## 3. RECOMMENDATION

- 3.1 As set out at the front of the report.



# APPENDIX A

## **GOVERNING BODY UNDERSTANDING OF HOW THE COUNCIL GAINS ASSURANCE IN RELATION TO FRAUD RISK ASSESSMENTS AND LAW AND REGULATIONS**

### **FRAUD RISK ASSESSMENTS**

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements (including the Group statements) due to fraud?</p> <p>What are the results of this process?</p>	<p>The Council has assessed the risk of material misstatement in the financial accounts and to mitigate the risks has put in place:-</p> <p>Systems of internal control which are tested by Internal Audit on a cyclical basis. Acceptable controls were in place in the majority of the systems reviewed.</p> <p>The Council has an experienced Finance Team in place and the financial statements are prepared in accordance with an agreed action plan and checks and balances are incorporated into the process. Regular monitoring is undertaken quarterly for both revenue and capital which highlights any deviations from budget. Cost Centre Managers have to comment on all under/overspends.</p> <p>A report was presented to the Audit Panel on 6 March 2018 setting out the accounting policies and estimates for 2017/18 accounts, covering; the proposed accounting policies, the critical judgements made in applying the accounting policies and assumptions made about the future and other major sources of estimated uncertainty within the accounts.</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud (including risks within Group components)?</p>	<p>Within Internal Audit a dedicated resource is available to respond to all fraud referrals.</p> <p>The Council also has a risk based audit plan which covers key systems and risks and gives assurance to members and officers that the controls in place are operating effectively.</p> <p>Attendance at seminars and fraud groups to ensure that learning is shared and participation in Webinars.</p> <p>The CIPFA Fraud and Corruption Tracker Report and other key fraud reports are reviewed. Fraud Alerts/Bulletins are received from NAFN Data and Intelligence Services and various online resources including CIPFA's TIS Online and the Better Governance Forum.</p> <p>All fraud cases are reported to the Standards Panel.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>Financial systems are reviewed on a regular basis.</p> <p>The high risk areas highlighted from available fraud reports and other intelligence are built into the audit planning process.</p> <p>The learning from frauds is built into audit programmes to ensure that checks undertaken are responsive to issues</p>

Question	Management response																																
	<p>identified.</p> <p>Where financial irregularities are identified and investigated a control report is produced for management highlighting recommendations for improving the control environment.</p>																																
<p>Are internal controls, including segregation of duties, in place and operating effectively across the Council and Group components?</p> <p>If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Managers are responsible for implementing systems of internal control and this is confirmed annually in the Assurance Statement and Self- Assessment completed by each Director as part of the Annual Governance Statement process.</p> <p>Internal controls are reviewed by Internal Audit using a risk based audit plan and a standardised system of internal audit. Each audit is concluded by the production of a Final Report which details the recommendations made in terms of any system weaknesses and includes the management response together with a named responsible officer and deadline date.</p> <p>At the conclusion of a fraud/irregularity investigation a control report is produced making recommendations to systems and again the report includes management responses, a named officer and a deadline date.</p> <p>As the organisation moves to flatter structures and smaller teams; the audit team has to be responsive to the effects of these changes on the traditional controls like segregation of duties and look for compensating controls/automatic system controls to ensure that the control environment is not adversely affected and the Council put at risk.</p> <p>During 2017/18, 26 cases have been referred to Internal Audit and can be summarised as follows:-</p> <table><tr><th>Type of Irregularity</th><th>No. of Cases</th><th>New in 2017/18</th><th>Assistance Cases</th></tr><tr><td>Direct Payment</td><td>9</td><td>1</td><td>0</td></tr><tr><td>Procurement Fraud</td><td>2</td><td>1</td><td>0</td></tr><tr><td>Misappropriation of Monies/Stock</td><td>11</td><td>7</td><td>3</td></tr><tr><td>Staff Conduct (Time/HB Fraud)</td><td>2</td><td>0</td><td>0</td></tr><tr><td>Misappropriation of Grant Monies</td><td>1</td><td>0</td><td>1</td></tr><tr><td>Living Together (DWP Assistance)</td><td>1</td><td>0</td><td>1</td></tr><tr><td><b>Totals</b></td><td><b>26</b></td><td><b>9</b></td><td><b>5</b></td></tr></table> <p>21 Cases were considered to warrant an investigation and in 5 cases assistance was provided to management.</p> <p>Where appropriate learning from irregularity investigations is shared across the Council and with schools.</p>	Type of Irregularity	No. of Cases	New in 2017/18	Assistance Cases	Direct Payment	9	1	0	Procurement Fraud	2	1	0	Misappropriation of Monies/Stock	11	7	3	Staff Conduct (Time/HB Fraud)	2	0	0	Misappropriation of Grant Monies	1	0	1	Living Together (DWP Assistance)	1	0	1	<b>Totals</b>	<b>26</b>	<b>9</b>	<b>5</b>
Type of Irregularity	No. of Cases	New in 2017/18	Assistance Cases																														
Direct Payment	9	1	0																														
Procurement Fraud	2	1	0																														
Misappropriation of Monies/Stock	11	7	3																														
Staff Conduct (Time/HB Fraud)	2	0	0																														
Misappropriation of Grant Monies	1	0	1																														
Living Together (DWP Assistance)	1	0	1																														
<b>Totals</b>	<b>26</b>	<b>9</b>	<b>5</b>																														
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for</p>	<p>All financial reports are produced from the Council’s ledger system Agresso. As part of the audit plan the key systems feeding into Agresso are reviewed to ensure adequate</p>																																

Question	Management response
example because of undue pressure to achieve financial targets)?	<p>controls are in place.</p> <p>All reporting processes are timetabled and supported by an action plan.</p> <p>All users of Agresso access the system using their individual network login and password and a full audit log is maintained.</p> <p>The finance function is lead and managed by professional officers who are members of professional bodies and as such are bound by codes of conduct/ethics. No one person has sole control.</p>
Are there any areas where there is a potential for misreporting?	<p>Manual intervention can take place throughout the year for reporting purposes where projected outturns are based on estimates of spend. However, at the year end the ledger is solely used and is checked by external audit.</p> <p>An element of judgement is required in estimating spending to the year end, but this is undertaken using professional insight and evidence.</p>
How does the Audit Panel exercise oversight over officers' processes for identifying and responding to the risks of fraud at the Council and other Group components?	<p>The Head of Risk Management and Audit Services reports to every Audit Panel and the reports contain an update on fraud cases. The Panel receives and approves the Fraud Response Plan, Internal Audit Strategy and Charter.</p> <p>All fraud investigations are reported to the Standards Panel monthly.</p>
What arrangements are in place to report fraud issues and risks to the Audit Panel?	<p>The Head of Risk Management and Audit Services regularly reports to the Audit Panel. The Head of Internal Audit's Annual Report is presented in May and progress reports presented throughout the year.</p>
How does the Council communicate and encourage ethical behaviour amongst officers and partners?	<p>Contract Term and Conditions and Partnership agreements.</p> <p>Articles published in the Wire, Chief Executive's Brief and on the staff portal. Manager Team briefings. Code of Conduct in place and on the staff portal. Employment contracts, job descriptions and person specifications and induction.</p> <p>Anti-Fraud, Bribery and Corruption Strategy: Statement of Intent on the staff portal and the public website.</p> <p>Whistleblowing policy in place.</p> <p>Professional staff (e.g. Accountants, Solicitors, Auditors and Social Workers) are also bound by codes of ethics issued by their professional bodies.</p>
<p>How do you encourage staff to report their concerns about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Fraud Response Plan and Whistleblowing Policy in place and available on the intranet/internet.</p> <p>During 2017/18, nine new cases were reported to Internal Audit; however, the amounts involved were not significant. A number of Direct Payment Frauds continue to be investigated which are in excess of £10,000.</p>

Question	Management response
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	No.
Are you aware of any whistleblowing tips or complaints?	Two of the 26 referrals investigated during 2017/18 were whistleblowing referrals.
Are you aware of any instances of actual, suspected or alleged, fraud, within the Council since 1 April 2017?	Internal Audit has investigated several allegations of fraud and these are reported to both the Standards Panel on a regular basis and the Audit Panel. Investigations are currently ongoing in respect of a number of serious direct payment frauds and a procurement fraud against the Council.

### **LAWS AND REGULATIONS**

Question	Management Response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	<p>Qualified officers in place.</p> <p>Director of Governance and Pensions (Borough Solicitor) reviews all reports presented to Panels, Working Groups, Board, Cabinet and Council to ensure the legal implications have been fully considered.</p> <p>Legal briefings are also circulated weekly to inform Service Unit Managers and above of changes.</p> <p>Internal/External Audit Reviews.</p> <p>External Inspections.</p>
How do officers gain assurance that all relevant laws and regulations have been complied with?	<p>Feedback from Borough Solicitor when reviewing reports.</p> <p>Internal Audit/Inspection Reports.</p> <p>Annual Governance Statement Self-Assessment and Assurance Statements.</p> <p>Appointment of professional and qualified staff.</p>
How is the Audit Panel provided with assurance that all relevant laws and regulations have been complied with?	<p>The Annual Governance Statement (AGS) and the associated assurance framework is presented to the Audit Panel.</p> <p>All reports are reviewed by Legal to ensure the legal implications have been fully considered.</p> <p>Significant issues identified by Internal Audit would be highlighted in the Annual Report and progress reports by the Head of Risk Management and Audit Services.</p>
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2017?	No.

Question	Management Response
<p>What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>The Council holds an internal insurance reserve which is actuarially valued regularly for Insurance claims. An insurance portfolio is in place for all major insurance covers, which is reviewed annually.</p> <p>We have procured Insurance Brokers to provide independent advice and the Insurance Team receive regular industry bulletins keeping them up to date with new claim trends, litigation judgements and risk mitigation strategies.</p> <p>We have always had a strong stance on fighting claims and work in partnership with departments, legal representatives and our insurers to put forward a strong and robust defence for all litigated claims.</p> <p>Regular liaison between Legal and finance on potential and current claims/litigation.</p>
<p>Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>An assessment of litigation and claims is made and included in the Statement of Accounts. Internal funds and reserves mitigate the effect on the financial statements. Note included in the statement of accounts.</p>
<p>Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?</p>	<p>None received.</p>

Signed:

Kathy Roe  
Director of Finance

Dated: 6 March 2018

Signed:

Councillor Vincent Ricci  
Chair of Audit Panel

Dated: 6 March 2018

## APPENDIX B

### QUESTIONS FOR MANAGEMENT TO GAIN ASSURANCE IN RELATION TO FRAUD RISK ASSESSMENTS, LAW AND REGULATION AND GOING CONCERN CONSIDERATIONS

Question	Management Response
What do you regard as the key events or issues that have a significant impact on the financial statements for 2017/18?	<p>The introductory narrative to the financial statements comments on significant transactions in the year, together with issues faced over the medium term.</p> <p>The key corporate issue remains our response to funding reductions at a time of the increasing demand on services, which does not affect the 2017/18 statements.</p>
<p>Have you considered the appropriateness of the accounting policies adopted by the Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>The policies are considered each year by the Audit Panel. No changes have been made to previous policies and no events have occurred that would require that to have happened.</p>
Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	No.
How would you assess the quality of the Council's internal control processes?	<p>Internal Audit has undertaken a number of audits/reviews during 2017/18 to review the Council's internal control processes and the results of their work are reported to the Audit Panel by the Head of Risk Management and Audit Services. 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.</p> <p>Senior Management is responsible for the control environment and work with Internal Audit throughout the year to ensure that any proposed changes to systems and processes do not adversely affect the control environment.</p> <p>With a reducing work force more reliance is being placed on technological controls rather than on conventional controls like segregation of duties.</p> <p>All Directors sign Assurance Statements annually for the Annual Governance Statement to confirm that internal controls have been in place in their Directorate during the year.</p> <p>The Head of Risk Management and Audit presents an Annual Report to the Audit Panel in May summarising the work of Internal Audit and providing an opinion on the control environment.</p>

Question	Management Response
How would you assess the process for reviewing the effectiveness of internal control?	<p>The effectiveness of internal control is reviewed during the mature process in place to compile the Annual Governance Statement, which involves the Head of Risk Management and Audit, Senior Management Team, Audit Panel and Executive Members.</p> <p>Internal Audit is also reviewed annually to ensure compliance with the Public Sector Internal Audit Standards.</p>
How does the Council's risk management processes link to financial reporting?	The Council is risk aware and financial risks and challenges facing the Council are detailed in the Medium Term Financial Plan and the budget report.
How would you assess the Council's arrangements for identifying and responding to the risk of fraud?	<p>The Council has a corporate fraud team in place which responds to all reported fraud. The arrangements in place have been measured against CIPFA's Code of Practice - Managing the Risk of Fraud and Corruption and are compliant.</p> <p>Intelligence is obtained from numerous fraud websites, from NAFN Data and Intelligence Services which is hosted by Tameside MBC and the North West Chief Audit Executives Fraud Sub Group.</p> <p>A Whistleblowing Policy is available on Council's Website and the Intranet for staff/public to raise concerns and whistleblowing referrals are received.</p>
What has been the outcome of these arrangements so far this year?	<p>All reported frauds have been investigated.</p> <p>Regular reports are prepared for the Standards Panel giving the Council's Monitoring Officer the opportunity to input into the process by providing advice and guidance.</p> <p>Reports are also provided to the Audit Panel.</p>
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<p>Financial systems are reviewed on a cyclical basis to ensure that they are fit for purpose and the controls are operating effectively. No major issues have been identified in any of the systems.</p> <p>Payment systems are considered to present more risks as they are open to external risk factors like the bank mandate fraud.</p>
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	Several whistleblowing complaints were received during the year and investigated by Internal Audit in accordance with the published policy.
Have any reports been made under the Bribery Act?	No.
As a management team, how do you communicate risks issues (including fraud) to those charged with governance?	Regular progress reports from the Head of Risk Management and Audit to the Audit Panel.



Question	Management Response
<p>As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?</p>	<p>Articles in the Wire Chief Executive's Brief Team Briefs Contracts of Employment/Codes of Conduct Gifts and Hospitality Protocol Professional staff are also bound by their Professional Body's Ethical Codes of Practice.</p>
<p>What are your policies and procedures for identifying, assessing and accounting for litigation and claims?</p>	<p>The Council holds an internal insurance reserve which is actuarially valued regularly for Insurance claims. An insurance portfolio is in place for all major insurance covers, which is reviewed annually.</p> <p>We have procured Insurance Brokers to provide independent advice and the Insurance Team receive regular industry bulletins keeping them up to date with new claim trends, litigation judgements and risk mitigation strategies.</p> <p>Litigation not covered by the Council's insurers is dealt with in-house by the Borough Solicitor and her Legal Team, who will assess cases on their merits, and ensure the appropriate level of expertise is employed, also ensuring that any potentially large claims are reflected appropriately in the Council's contingency arrangements. If it is assessed that a liability is likely to arise from litigation or claims then an appropriate sum will be included in the financial statements.</p>
<p>Is there any use of financial instruments, including derivatives?</p>	<p>No.</p>
<p>What is the current position of those issues included as contingencies and provisions at 31 March 2017?</p>	<p>The contingencies and provisions are kept under review and the latest position is as set out in the financial statements.</p>
<p>Are you aware of any significant transaction outside the normal course of business?</p>	<p>No.</p>
<p>Are you aware of any changes in circumstances that would lead to impairment of non-current assets?</p>	<p>The liquidation of Carillion and the impact on the Vision Tameside project will need to be monitored carefully to ensure no impairment arises.</p>
<p>Are you aware of any guarantee contracts?</p>	<p>The Council is guarantor for Tameside Sports Trust in respect of the Pulse Fitness Agreements.</p>
<p>Are you aware of allegations of fraud, errors, or other irregularities during the period?</p>	<p>A number of irregularities were investigated during the year but they did not present any risk to the compilation of the Council's accounts.</p>
<p>Are you aware of any instances of non-compliance with laws or</p>	<p>No.</p>



Question	Management Response
regulations or is the Council on notice of any such possible instances of non-compliance?	
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	There have been the regular VAT inspections by HMRC
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	<p>A report is presented annually to the Audit Panel outlining Accounting Policies and Estimates.</p> <p>The report for 2017/18 will be presented on 6 March 2018.</p>
<p>Where the financial statements include amounts based on significant estimates:</p> <ul style="list-style-type: none"> <li>• how have the accounting estimates been made?</li> <li>• what is the nature of the data used? and</li> <li>• the degree of estimate uncertainty inherent in the estimate?</li> </ul>	<p>Accounting estimates are made on the basis presented and approved by the Audit Panel annually.</p> <p>Estimates are made based on the best available data from the relevant financial year. This is amended in light of finalised information.</p> <p>Pension's information is estimated based on advice from the independent actuary.</p>
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No.
<p>Has the management team carried out an assessment of the going concern basis for preparing the financial statement?</p> <p>What was the outcome of that assessment?</p>	<p>This is undertaken through budget planning to ensure the ongoing sustainability of the Council. This is led by the Monitoring Officer, Head of Paid Service (Chief Executive) and Section 151/Chief Finance Officer.</p> <p>The Council is assessed as being a going concern.</p>
Although the public sector interpretation of IAS1 means that unless services are being transferred out of the public sector then the financial statements should be prepared on a going concern basis, management is still required to consider whether there are any material uncertainties that cast doubt on the Council's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried	<p>The Budget Report and MTFP are prepared in full consultation with the Single Leadership Team and Cabinet with best estimates of the likely expenditure requirements and the resources available. This allows the Council to rigorously assess that the Council continues to be a going concern.</p> <p>Both Capital and Revenue monitoring continue throughout the year to provide reassurance of its belief. Regular reappraisal of the MTFP takes place together with a daily review of the cash flow.</p> <p>A review of the adequacy of reserves is undertaken by the Director of Finance (Section 151 Officer) each year.</p>



Question	Management Response
<p>out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?</p>	
<p>Can you provide details of those solicitors utilised by the Council during the year?</p> <p>Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>Forbes, BLM and Weightmans Solicitors provide legal support to the council in relation to Litigated Insurance Claims.</p> <p>All three legal firms will be working on both open cases and contingencies from prior years.</p> <p>They are currently representing the Council on 33 open/contingency cases.</p>
<p>Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>Hymans Robertson (Pension Fund Actuarial advice).</p> <p>Meridian - Duplicate Payments</p> <p>PFI – Capita (Fair value on PFI liabilities)</p> <p>STAR Procurement, review of the Council's procurement function.</p> <p>Other advice provided to or commissioned by service areas from time to time.</p>
<p>Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?</p>	<p>None reported to Internal Audit.</p> <p>None reported to Finance.</p>

Signed:

Kathy Roe  
Director of Finance

Dated: 6 March 2018

# Agenda Item 8.

<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	6 March 2018
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY – FRAUD AND CORRUPTION TRACKER FOR TAMESIDE</b>
<b>Report Summary:</b>	To advise Members of the report produced by the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre – Fraud and Corruption Tracker 2017 for Tameside.
<b>Recommendations:</b>	Members note the report.
<b>Links to Community Strategy:</b>	No direct links but supports the individual operations within the Community Strategy.
<b>Policy Implications:</b>	Effective Counter Fraud arrangements demonstrate a commitment to high standards of corporate governance.
<b>Financial Implications: (Authorised by the Section 151 Officer)</b>	Fraud diverts money away from service delivery and therefore it is important that effective counter fraud arrangements are in place to minimise losses relating to fraud.
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	Demonstrates compliance with the Accounts and Audit Regulations 2015.
<b>Risk Management:</b>	Fraud is a risk to all organisations and therefore it is important that a sound system of internal control is in place to mitigate the risk of fraud and that counter fraud resources are sufficient to ensure that cases identified are investigated and where appropriate prosecuted to recover assets which have been wrongfully diverted away from service delivery.
<b>Access to Information:</b>	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: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a>

## 1. BACKGROUND

- 1.1 The Chartered Institute of Public Finance and Accountancy Counter Fraud Centre was launched in July 2014 and was created to fill the considerable gap in the UK counter fraud arena following the closure of the National Fraud Authority and the Audit Commission and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service run by the Department for Work and Pensions.
- 1.2 The Counter Fraud Centre leads and coordinates the fight against fraud and corruption across public services by providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.
- 1.3 The report is divided into several sections:-
- Value of Fraud Cases;
  - Number of Fraud Cases;
  - Analysis of Types Frauds;
  - Top Four Types of Frauds by Value;
  - Sanctions - excluding Housing Benefit Frauds;
  - Proceeds of Crime Act (POCA);
  - Structure of the Counter Fraud and Corruption Function Activity;
  - Counter Fraud Resources; and
  - Fighting Fraud and Corruption Locally.
- 1.4 In terms of Tameside the number of frauds dealt with is low and because of the nature of investigations and the definition of "Detected Fraud" very little was reported in the survey.

## 2. CIPFA FRAUD AND CORRUPTION TRACKER REPORT 2017 - TAMESIDE

- 2.1 The report is based on the findings from the Chartered Institute of Public Finance and Accountancy's Fraud and Corruption Tracker Survey, which was completed in May / June 2017 and captured data for 2016/17. The report compares Tameside to other Metropolitan Unitaries and it focuses on common fraud types specific to local authorities. The Report is attached at **Appendix 1**.
- 2.2 The response rate for Metropolitan Unitaries was 42% and the highest response rate came from the London and County authorities.

## 3. VALUE, NUMBER AND ANALYSIS OF FRAUD CASES/TYPES

- 3.1 The tables below details the type of fraud reported together with the value and number of cases for Tameside compared to the average for Metropolitan Unitaries and the average value per case.

<b>Table 1 – Main Types of Fraud</b>						
<b>Types of Fraud</b>	<b>Tameside</b>		<b>Metropolitan Unitaries</b>		<b>Average Value per Case</b>	
	<b>Value £000</b>	<b>No. of Cases</b>	<b>Avg. Value £000</b>	<b>Avg. No. of Cases</b>	<b>Tameside £000</b>	<b>Mets £000</b>
Council Tax Frauds	630	1,299	195	484	0.5	0.4
Adult Social Care	101	4	23	1	25.3	20.1
Economic and Vol. Sector	38	1	16	0	38.0	48.1
Other	5	2	2,049	241	2.5	8.5

<b>Totals</b>	<b>774</b>	<b>1,306</b>	<b>2,282</b>	<b>726</b>	<b>0.6</b>	<b>1.9</b>
<b>Table 2 – Analysis of Other Types of Fraud</b>						
<b>Types of Fraud</b>	<b>Tameside</b>		<b>Metropolitan Unitaries</b>		<b>Average Value per Case</b>	
	<b>Value £000</b>	<b>No. of Cases</b>	<b>Avg. Value £000</b>	<b>Avg. No. of Cases</b>	<b>Tameside £000</b>	<b>Mets £000</b>
School Funds	5	2	3	2	2.5	1.4
Blue Badge	-	-	11	42	-	0.3
Debt	-	-	0	1	-	0.7
Housing and Tenancy Fraud	-	-	1,867	65	-	28.8
Payroll	-	-	8	3	-	2.8
Insurance Claims	-	-	79	5	-	16.1
Welfare Assistance	-	-	0	0	-	0.1
Business Rates	-	-	38	1	-	51.5
Procurement	-	-	39	1	-	58.8
Recruitment	-	-	-	-	-	-
Expenses	-	-	1	0	-	2.2
Pensions	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Mandate Fraud	-	-	-	1	-	-
No Recourse to Public Funds	-	-	-	-	-	-
Child Social Care	-	-	1	-	-	2.2
School Transport	-	-	0	-	-	0.1
Manipulation of Data	-	-	-	-	-	-
Other Fraud	-	-	2	119	-	-
<b>Totals</b>	<b>5</b>	<b>2</b>	<b>2,049</b>	<b>241</b>	<b>2.5</b>	<b>8.5</b>

#### 4. TOP FOUR TYPES OF FRAUD

4.1 The report summarises that the top four types of fraud as:-

- Housing and Tenancy;
- Council Tax;
- Insurance Claims; and
- Procurement.

#### 5. SANCTIONS

5.1 Many organisations have the ability to undertake sanctions against those who commit fraud, whether via the police, the Crown Prosecution Service or in-house lawyers. This section provides an analysis of the sanctions taken by Councils during 2016/17 which are broken down into four categories:-

- Prosecutions
- Cautions
- Disciplinary Outcomes
- Other Sanctions

## **6. STRUCTURE OF THE COUNTER FRAUD AND CORRUPTION FUNCTION**

- 6.1 The public sector fraud landscape has changed significantly over the last year with leaner operations and for local authorities the introduction of the DWP's Single Fraud Investigation Service (SFIS) has seen a workload shift.
- 6.2 The survey results show that the number of full-time equivalent (FTE) investigation staff has increased slightly in the UK since 2015/16 and across the country organisations are planning to maintain current levels in the next few years. Nationally, seven organisations have no dedicated counter fraud resource or consider it not applicable, a large decrease from 2015/16. While a dedicated counter fraud function is not essential, we recommend organisations have a fraud response plan that enables allegations of fraud to be investigated effectively by skilled and professional investigators.
- 6.3 The survey results also indicate a variety of counter fraud and corruption resources being accessed. While organisations will define their resource requirements based on their specific needs, in our view it is essential that staff involved in the counter fraud function are professionally qualified.
- 6.4 At Tameside we have two dedicated Fraud Investigators / Counter Fraud Specialists and both have recently attended the CIPFA Accredited Counter Fraud Technician Course.

## **7. FIGHTING FRAUD AND CORRUPTION LOCALLY**

- 7.1 The section briefly provides an update on how well local authorities are performing against the areas covered by Fighting Fraud and Corruption Locally Strategy.

## **8. CIPFA FRAUD AND CORRUPTION TRACKER SUMMARY REPORT 2017**

- 8.1 CIPFA estimates that across local authorities more than 75,000 frauds have been detected or prevented in 2016/17 with a total value of £336.2 million. The number of fraud cases investigated or prevented dropped in 2017, but the average value per fraud increased from £3,400 to £4,500; the reason for this could be that local authorities are focusing on cases with a higher financial value.
- 8.2 The survey also revealed the following:-
- procurement, adult social care and council tax single person discount are perceived as the three greatest fraud risk areas;
  - adult social care fraud has shown the largest growth in the past year, with an estimated £5.6 million investigated compared with £3.0 million in 2016;
  - the highest number of investigations related to council tax fraud (76%) with a value of £25.5 million;
  - the highest value area of fraud is housing with an estimated total of £263.4 million; and
  - 38% of organisations who responded have a dedicated counter fraud service.
- 8.3 The report provides a summary page for each fraud type detailing the value and number of cases involved with a brief description of the fraud and where applicable case studies are included.
- 8.4 The report recommends that organisations:-
- ensure that cyber security is integral to any new strategy or policy decision, reflecting the National Cyber Security Strategy 2016 to 2021;

- continue to be vigilant and raise awareness of fraud within adult social care;
- have a strong counter fraud leadership that understands the importance of involving counter fraud practitioners when devising policy and strategy;
- continue to maximise opportunities to share data and to explore innovative use of data within the law; and
- communicate clearly both internally and externally the role of the fraud team and the importance of the role for both financial and reputational benefit.

8.5 The report can be viewed using the following link <http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker>

8.6 Both reports will be used to inform the work plan of the Risk Management and Audit Team for 2018/19 in terms of proactive fraud work and the Internal Audit Plan as it is important to learn how and why frauds occur in order to be able to ensure robust controls are in place within our systems to minimise the future occurrence of known frauds.

## **9. RECOMMENDATIONS**

9.1 Members note the report.

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Counter Fraud Centre - Analytics & Research Team

# fraud and corruption tracker

2017 - Tameside

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## Practical, accessible tools to help organisations tackle fraud and corruption.

The CIPFA Counter Fraud Centre is expert-led and champions best practice. We are here to help you:

- prevent, detect and recover financial loss
- protect your organisation's reputation
- develop your team's skills

Visit: [cipfa.org/counterfraudcentre](https://cipfa.org/counterfraudcentre) to find out more. Or contact the team on: 020 7543 5600.



## Introduction

The 2017 CIPFA Fraud and Corruption Tracker (CFaCT) survey examines the levels of fraud and corruption detected across the public services in the UK during the 2016/2017 financial year. This report is provided to you free of charge and compares your organisation's survey data with others of the same type or tier. We are very grateful for your organisation's contribution and hope you find this report informative. The 2017 national report can be found at [www.cipfa.org/cfact](https://www.cipfa.org/cfact).

## National Summary

Nationally response rates vary across the local authority tiers with the highest response rates coming from the London and County authorities. CIPFA estimates that fraud losses could be as high as £336m in the UK with the average loss per case being approximately £4,500. Local authorities report that the biggest area of fraud, in terms of volume, is Council tax whilst Housing Tenancy Fraud is the area with the highest financial value.

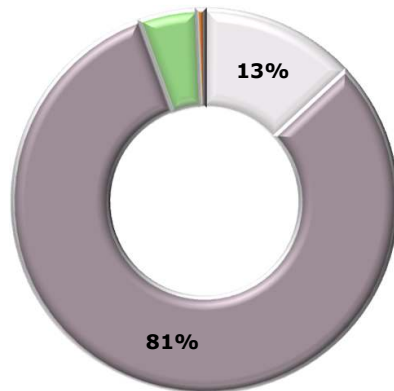
## Tier Summary

The response rate for Metropolitan Unitaries was 42%. Respondents reported 10,378 fraud cases with a value of £19.3m.

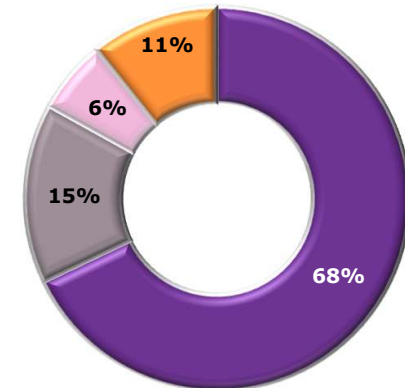
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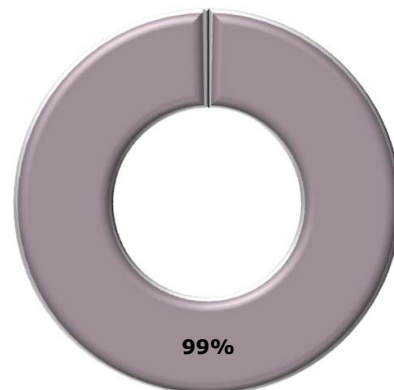
## Value of Fraud Cases [Average £'k per Case]



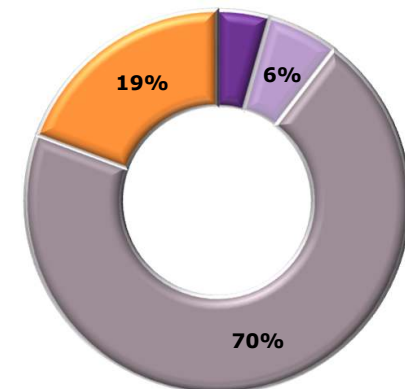
Tameside		Metropolitan Unitaries	
81%	Council Tax Frauds	68%	Housing and Tenancy
[£0.5k]		[£28.8k]	
13%	Adult Social Care	15%	Council Tax Frauds
[£25.3k]		[£0.4k]	
5%	Economic & Vol. Sector	6%	Insurance Claims
[£38k]		[£16.1k]	
1%	Other types of Fraud	11%	Other types of Fraud
[£2.5k]		[£0.8k]	



## Number of Fraud Cases



Tameside		Metropolitan Unitaries	
99%	Council Tax Frauds	70%	Council Tax Frauds
0%	Adult Social Care	6%	Disabled Parking
0%	Schools Frauds	4%	Housing and Tenancy
0%	Other types of Fraud	19%	Other types of Fraud



\*Note: Percentages may not sum exactly, this is due to rounding. Labels for percentages below 6% are not shown in the doughnut charts.

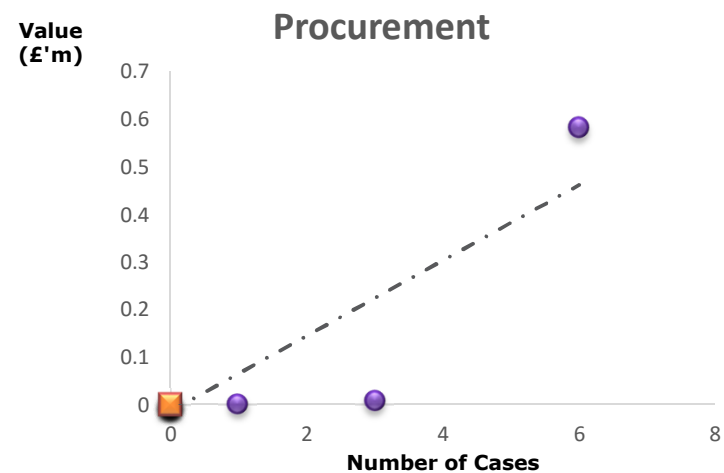
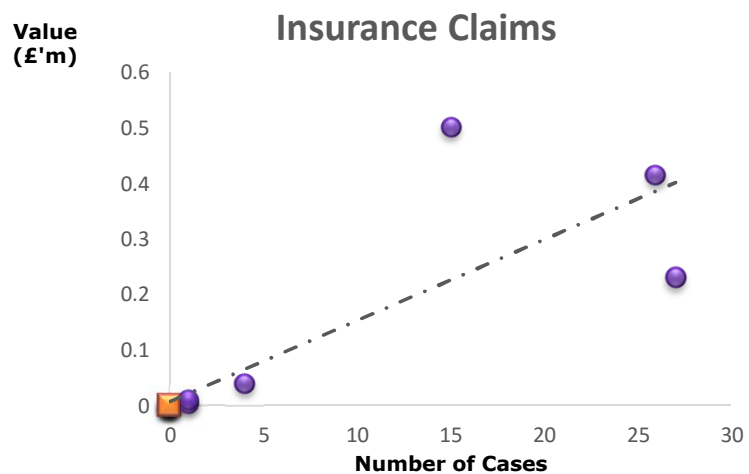
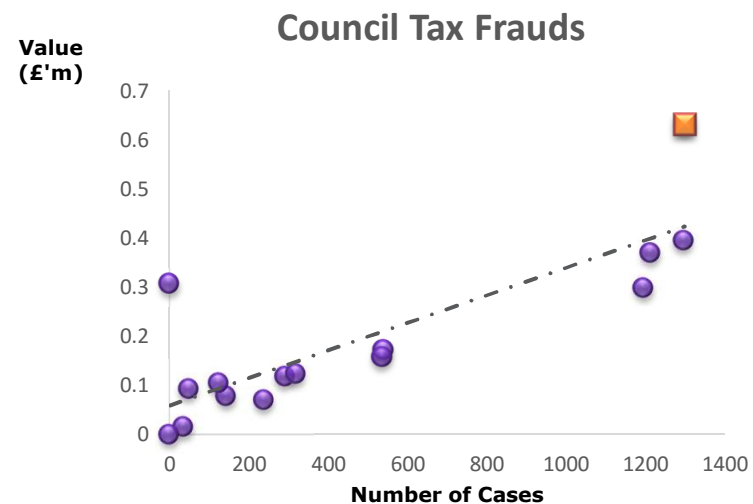
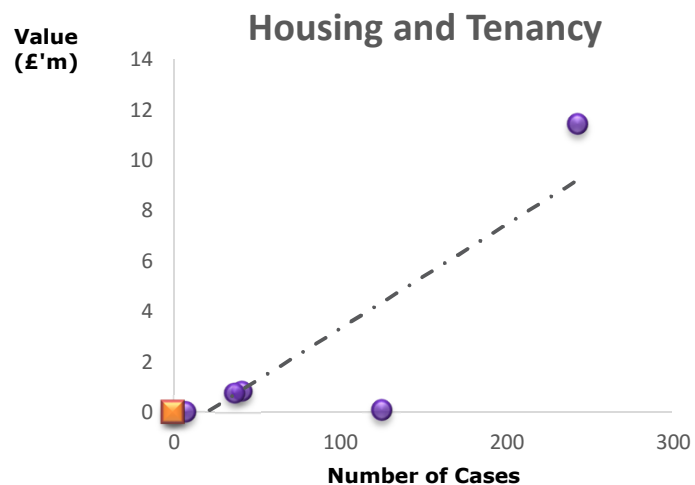
## Analysis of Types of Fraud\*

Types of Fraud	Value				Fraud Cases				Avg. Value per Case	
	Tameside		Metropolitan Unitaries		Tameside		Metropolitan Unitaries		Tameside	Metropolitan Unitaries
	£'k	% of the Total	Avg. £'k	% of the Total	Number	% of the Total	Avg. Number	% of the Total	£'k	£'k
Council Tax Frauds	£630 k	81%	£195 k	15%	1,299	99%	484	70%	£0.5k	£0.4k
Adult Social Care	£101 k	13%	£23 k	2%	4	0%	1	0%	£25.3k	£20.1k
Economic and Voluntary Sector	£38 k	5%	£16 k	1%	1	0%	0	0%	£38.0k	£48.1k
Other Types of Fraud	£5 k	1%	£2,049 k	82%	2	0%	241	30%	£2.5 k	£8.5k
<b>Total</b>	<b>£774 k</b>	<b>100%</b>	<b>£2,282 k</b>	<b>100%</b>	<b>1,306</b>	<b>100%</b>	<b>726</b>	<b>100%</b>	<b>£0.6k</b>	<b>£1.9k</b>
<i>Other types of Fraud:</i>										
Schools Frauds (excl. transport)	£5 k	1%	£3 k	0%	2	0%	2	0%	£2.5 k	£1.4 k
Disabled Parking Concession (Blue Badge)	-	-	£11 k	1%	-	-	42	6%	-	£0.3 k
Debt	-	-	£0 k	0%	-	-	1	0%	-	£0.7 k
Housing and Tenancy Frauds	-	-	£1,867 k	68%	-	-	65	4%	-	£28.8 k
Payroll	-	-	£8 k	1%	-	-	3	0%	-	£2.8 k
Insurance Claims	-	-	£79 k	6%	-	-	5	1%	-	£16.1 k
Welfare Assistance	-	-	£0 k	0%	-	-	0	0%	-	£0.1 k
Business Rates	-	-	£38 k	3%	-	-	1	0%	-	£51.5 k
Procurement	-	-	£39 k	3%	-	-	1	0%	-	£58.8 k
Recruitment	-	-	-	-	-	-	-	-	-	-
Expenses	-	-	£1 k	0%	-	-	0	0%	-	£2.2 k
Pensions	-	-	£0 k	0%	-	-	0	0%	-	-
Investments	-	-	-	-	-	-	-	-	-	-
Mandate Fraud	-	-	-	-	-	-	1	0%	-	-
No Recourse to public funds	-	-	£0 k	0%	-	-	0	0%	-	-
Children Social Care	-	-	£1 k	0%	-	-	0	0%	-	£2.2 k
School Transport	-	-	£0 k	0%	-	-	0	0%	-	£0.1 k
Manipulation of Data	na	na	na	na	-	-	0	0%	na	na
Other Fraud	-	-	£2 k	0%	-	-	119	17%	-	-

\*Actual Figures. Please note that "0" indicates a figure too small to be shown whereas "-" indicates zero.

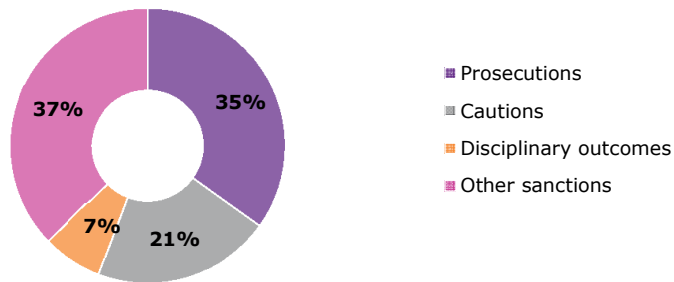
Housing and Tenancy Frauds: Those authorities that do not hold housing stock have been excluded from the calculations. Totals and averages may not sum exactly due to rounding.

## Top Four Types of Fraud by Value



## Sanctions (excluding Housing Benefits Sanctions)

The inner circle of the graph represents the Metropolitan Unitaries Average, whereas the outer shows the figures for Tameside.



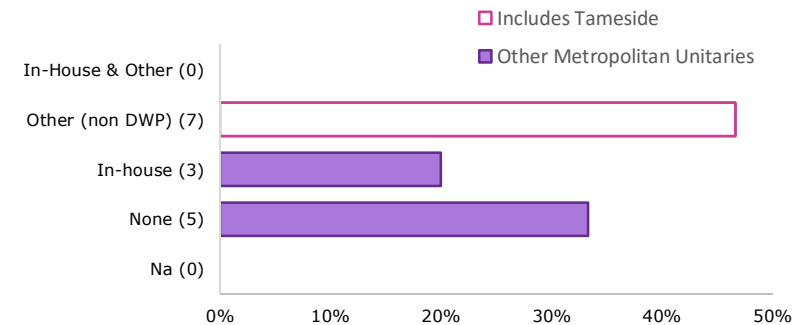
	Tameside		Metropolitan Unitaries Average	
	Number (%)		Number (%)	
Prosecutions	2	na	15	(35%)
Cautions	na	na	9	(21%)
Disciplinary Outcomes	2	na	3	(7%)
Other Sanctions	na	na	16	(37%)
<b>Total</b>	<b>na</b>	<b>(0%)</b>	<b>43</b>	<b>(100%)</b>

The chart below shows the types of resources used by organisations in POCA investigations. In-house resources are the most common type of resource used nationally.

## Proceeds of Crime Act (POCA)

	Tameside	Metropolitan Unitaries Average
Money been awarded by court through POCA, excluding HB/CTB (over the last three financial years)	£61 k	£43 k
Money actually received through POCA, excluding HB/CTB (over the last financial three years)	£61 k	£25 k

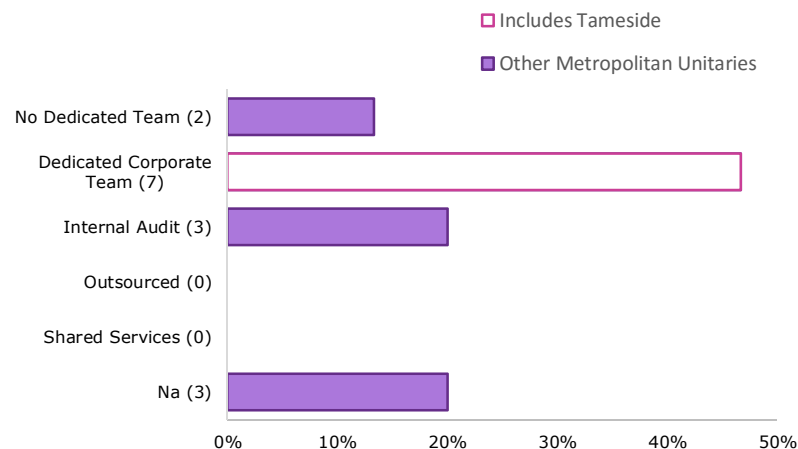
## POCA Financial Investigations Resources (other than DWP)



## Structure of the Counter Fraud and Corruption Function Activity

### Describe your counter fraud and corruption resource

The chart below shows how organisations deliver their counter fraud and corruption resource. Nationally, this is usually delivered by a dedicated corporate team or by the internal audit team.



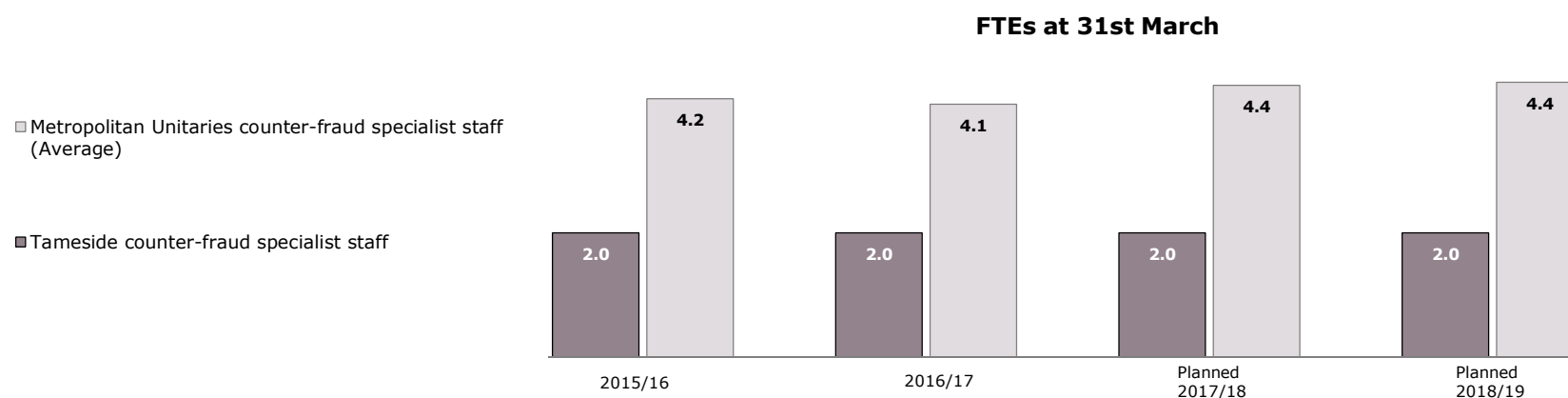
### Counter fraud and corruption resources

The public sector fraud landscape has changed significantly over the last year with leaner operations, and for local authorities the introduction of the DWP's Single Fraud Investigation Service (SFIS) has seen a workload shift.

The survey results show that the number of full-time equivalent (FTE) investigation staff has increased slightly in the UK since 2015/16 and across the country organisations are planning to maintain current levels in the next few years. Nationally, seven organisations have no dedicated counter fraud resource or consider it not applicable, a large decrease from 2015/16. While a dedicated counter fraud function is not essential, we recommend organisations have a fraud response plan that enables allegations of fraud to be investigated effectively by skilled and professional investigators.

The survey results also indicate a variety of counter fraud and corruption resources being accessed. While organisations will define their resource requirements based on their specific needs, in our view it is essential that staff involved in the counter fraud function are professionally qualified. Download the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption at [www.cipfa.org/counterfraudcode](http://www.cipfa.org/counterfraudcode).

## Counter Fraud Resources

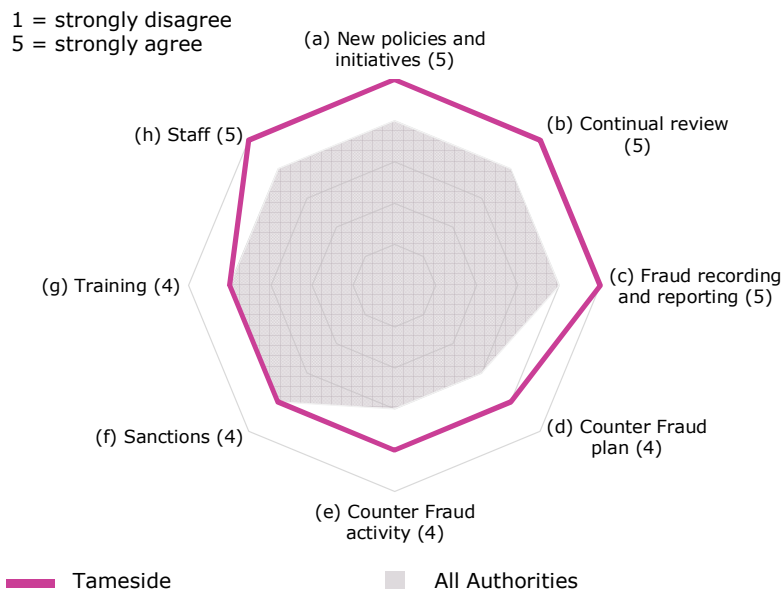


## Fighting Fraud and Corruption Locally

Fighting Fraud and Corruption Locally is the national counter fraud strategy. The Board and strategy are supported by the CIPFA Counter Fraud Centre.

These questions have been commissioned by the Fighting Fraud and Corruption Locally Board. Please refer to Section 7 of the CFaCT Questionnaire for further information regarding each heading in the graph.

In this graph, the grey area shows the average level of agreement for each question for All Authorities. The pink line shows the level of agreement for each questions for Tameside.



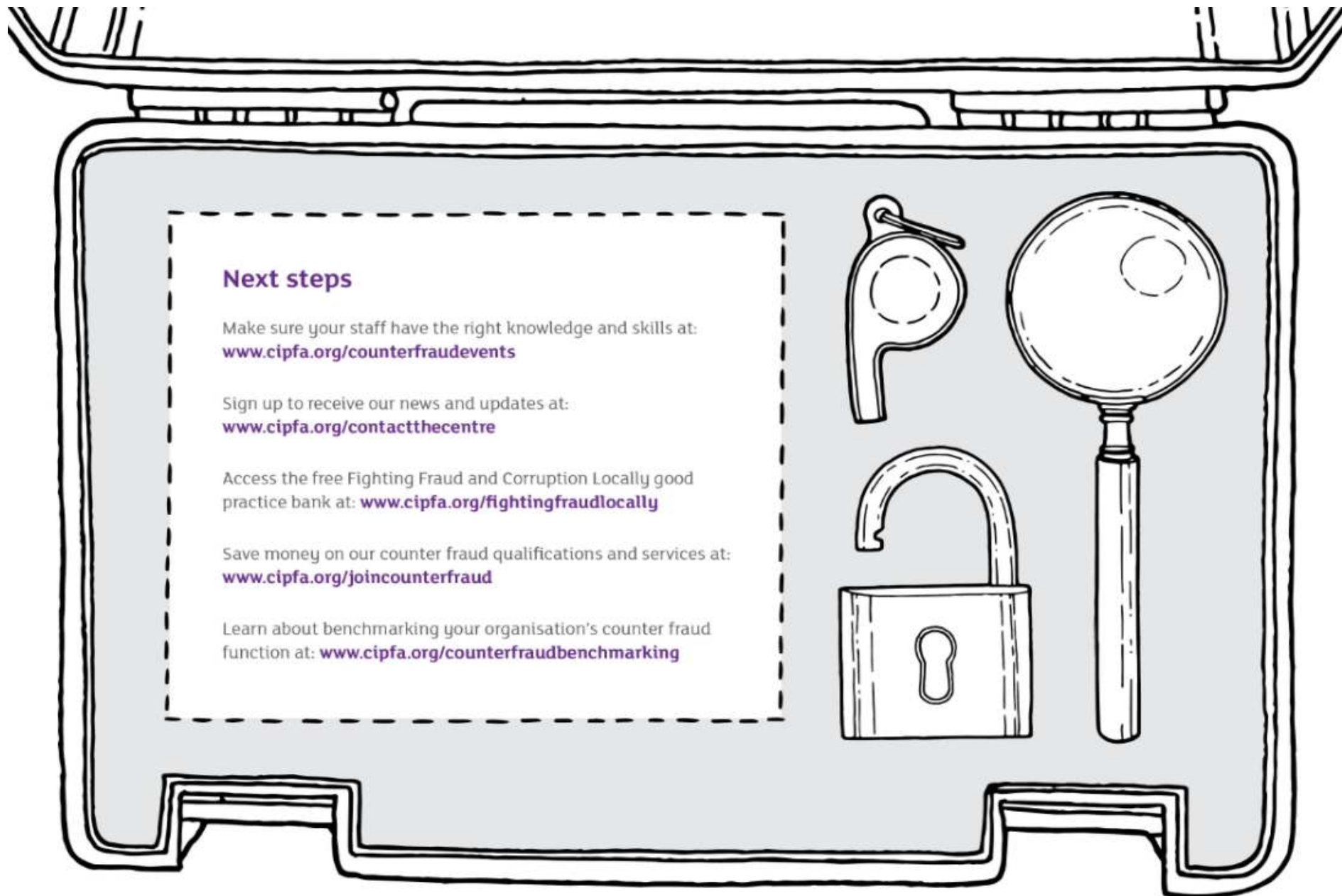
## A blueprint for local government

The 2016-2019 local government counter fraud and corruption strategy and companion document are available to download from the CIPFA website.

- Practical steps for fighting fraud
- Sharing best practice
- Bringing clarity to the changing anti-fraud and corruption landscape

Visit: [www.cipfa.org/fightingfraudlocally](http://www.cipfa.org/fightingfraudlocally)  
or contact us on: 020 7543 5600.





### Next steps

Make sure your staff have the right knowledge and skills at:  
[www.cipfa.org/counterfraudevents](http://www.cipfa.org/counterfraudevents)

Sign up to receive our news and updates at:  
[www.cipfa.org/contactthecentre](http://www.cipfa.org/contactthecentre)

Access the free Fighting Fraud and Corruption Locally good practice bank at: [www.cipfa.org/fightingfraudlocally](http://www.cipfa.org/fightingfraudlocally)

Save money on our counter fraud qualifications and services at:  
[www.cipfa.org/joincounterfraud](http://www.cipfa.org/joincounterfraud)

Learn about benchmarking your organisation's counter fraud function at: [www.cipfa.org/counterfraudbenchmarking](http://www.cipfa.org/counterfraudbenchmarking)



All of us in the public sector must be aware of the need to tackle fraud and to do so effectively we need to understand the extent and scale of the problem. We at the Local Government Association strongly support this initiative and encourage our member councils and others to participate fully.

**Sarah Pickup,**  
Deputy Chief Executive, Local Government Association



Registered office:



CIPFA Business Limited, 77 Mansell Street, London E1 8AN

T: 020 7543 5600 F: 020 7543 5700

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<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	6 March 2018
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>RISK MANAGEMENT</b>
<b>Report Summary:</b>	<p>To present to Members for comment, challenge and approval:-</p> <ol style="list-style-type: none"><li>1. The Risk Management Policy and Strategy for 2018/2020 (<b>Appendix 1</b>).</li><li>2. The Corporate Risk Register (<b>Appendix 2</b>).</li></ol>
<b>Recommendations:</b>	<ol style="list-style-type: none"><li>1. Consider and approve the Risk Management Policy and Strategy.</li><li>2. Consider and approve the Corporate Risk Register.</li></ol>
<b>Links to Community Strategy:</b>	Managing risks will enable the Council to deliver services safely and in an informed manner to achieve the best possible outcomes for residents.
<b>Policy Implications:</b>	Effective risk management supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
<b>Financial Implications:</b> (Authorised by the Section 151 Officer)	Effective risk management 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.
<b>Legal Implications:</b> (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015 (Amended 2106) and the Code of Corporate Governance.
<b>Risk Management:</b>	Failure to manage risks will impact on service delivery, the achievement of objectives and the Council's Medium Term Financial Strategy.
<b>Access to Information:</b>	<p>The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:</p> <p> Telephone: 0161 342 3846</p> <p> e-mail: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a></p>

## 1. INTRODUCTION

- 1.1 This report provides an overview of risk management in Tameside.
- 1.2 It also presents the revised and updated Risk Management Policy and Strategy and Corporate Risk Register for comment, challenge and approval.
- 1.3 Risk Management is facilitated by the Risk Management and Audit Service under the direction of the Head of Risk Management and Audit Services. All risks are owned by the members of the Single Leadership Team, with support from Assistant Directors, managers and staff.

## 2. WHAT IS RISK MANAGEMENT?

- 2.1 Risk Management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling them or responding to them. It is a means of maximising opportunities and minimising the costs and disruption to the organisation caused by undesired events.

## 3. DRIVERS FOR RISK MANAGEMENT

Two of the key drivers for risk management are:

- 3.1 Accounts and Audit Regulations 2015

PART 2, Section 3 – Responsibility for Internal Control, states at 4(1) that:-

**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.**

- 3.2 Code of Corporate Governance

Principal 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.

The supporting principal states:

***“Ensuring that an effective risk management system is in place”***

The related requirement is to:

***“Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their Risk Management”***

#### **4. THE BENEFITS OF RISK MANAGEMENT**

4.1 Effective risk management can deliver a number of tangible and intangible benefits to individual services and to the council as a whole:-

- Improved strategic management
  - Greater ability to deliver against objectives and targets.
- Improved operational management
  - Reduction in interruptions to service delivery;
  - Reduction in managerial time spent dealing with the consequences of a risk event having occurred; and
  - Improved health and safety of those employees and those affected by the Council's undertakings.
- Improved financial management
  - Better informed financial decision making;
  - Enhanced financial control;
  - Reduction in financial costs associated with losses due to service interruption, litigation etc.; and
  - Reduction in insurance premiums.
- Improved customer services
  - Minimal service disruption to customers and a positive external image as a result of all of the above.

#### **5. RESPONSIBILITY FOR RISK MANAGEMENT**

5.1 The Council recognises that it is the responsibility of all members and employees to have regard for risk in carrying out their duties. If uncontrolled, risk can result in a drain on resources that could better be directed to front line service provision and to the meeting of the Council's objectives and community needs.

5.2 Senior Management (Executive Directors, Assistant Directors and Service Unit Managers) has the responsibility and accountability for managing the risks within their own work areas. Employees have a duty to work safely, avoid unnecessary waste of resources and contribute to risk management initiatives in their own area of activities. The cooperation and commitment of all employees is required to ensure that Council resources are not squandered as a result of uncontrolled risks.

#### **6. RISK MANAGEMENT POLICY AND STRATEGY**

6.1 The Risk Management Policy and Strategy has been reviewed and updated and is attached at **Appendix 1**. The updates relate to the Risk Management Guidelines shown at Appendix B of the document to simplify the guidance and remove duplicated information detailed elsewhere in the Policy or Strategy.

6.2 The Policy consists of four sections covering:-

- Definition of Risk Management;
- Policy statement;
- Objectives; and
- Responsibility for Risk Management.

6.3 The Strategy consists of ten sections covering:-

- Introduction;
- The Benefits of Risk Management;
- The Purpose of the Risk Management Strategy;
  - Roles and Responsibilities
  - Arrangements for Managing Risks
  - Monitoring Risks
  - Training and Communication
  - Funding for Risk Management Initiatives
  - Review of Risk Management Strategy
- Risk Appetite;
- Risk Maturity;
- Partnerships;
- Insurance Cover;
- Conclusions;
- Roles and Responsibilities; and
- Risk Management Guidelines.

**7. CORPORATE RISK REGISTER**

7.1 The Corporate Risk Register is attached at **Appendix 2**.

7.2 The Corporate Risk Register has been updated in conjunction with the Single Leadership Team to ensure that the risks are recorded against the correct Director following the recent management restructure in January 2018 and that it presents an up to date view of the corporate risks facing the Council.

7.3 The following risks have been amended in the register:-

Original Risk	Updated Risk – Feb 2018
Failure to reconcile Guaranteed Minimum Pension (GMP) data prior to the HMRC notifying citizens in 2018 of their accrued GMPs and the authorities responsible for them.  Risk Rating 8	Failure to reconcile Guaranteed Minimum Pension (GMP) data prior to the HMRC deadline of 2018.  Risk Rating Reduced to 4
Requirements of the Care Act on service provision and associated financial implications.  Risk Rating 12	Requirements of the Care Act on service provision and associated financial implications.  Risk Rating Reduced to 8
Failure to target resources at the right families with the right intervention across early years and worklessness settings.  Risk Rating 8	Failure to reduce demand upon Children's Social Care, leaving an unsustainable financial pressure on the Council.  Risk Rating Increased to 15

7.4 The following new risks have been added to the register:-

- Following the liquidation of Carillion on 15 January 2018 the building is not completed within time and budget.
- Increase of illegal dumping of waste on both public and private land within the borough.

7.5 The following risk has been removed from the register:-

- Impact on service delivery of organisational restructuring and loss of staff. If the workforce continues to decrease in overall numbers there will be reduced opportunities to make appropriate skill matches to meet the changing needs of the organisation. Impacting capacity to deliver statutory or necessary services and service redesigns / transformation is impaired.

7.6 The Corporate Risk Register will be presented to the Single Leadership Team on a regular basis and updates provided to the Audit Panel.

## **8. SERVICE AREA RISK REGISTERS**

8.1 The process for producing risk registers will be reviewed in conjunction with Tameside and Glossop Clinical Commissioning Group over the coming months to assess the most effective process for compiling and maintaining risk registers and to ensure resources available are used effectively.

8.2 Any changes to the guidelines, which form part of the Risk Management Policy and Strategy, will be reported back to a future meeting of the Panel.

## **9. RECOMMENDATIONS**

9.1 As set out on the front of the report.

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# RISK MANAGEMENT POLICY AND STRATEGY 2018 - 2020

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## **RISK MANAGEMENT POLICY STATEMENT**

### **1. DEFINITION OF RISK MANAGEMENT**

“All activities of an organisation involve risks. Risk management aids decision making by taking account of uncertainty and its effect on achieving objectives and assessing the need for any actions”\*. To control the risks an appropriate risk management process should be in place which requires “applying logical systematic methods for communication and consultation throughout the process; establishing the context; identifying, analysing, evaluating and treating risk associated with any activity, process, function, project, product, service or asset; monitoring and reviewing risk; and recording and reporting the results appropriately”\*.

### **2. POLICY STATEMENT**

The Council recognises that it has a responsibility to reduce and control risks effectively in order to manage its assets and liabilities, protect its employees and community against potential losses, minimise uncertainty in achieving its goals and objectives and maximise the opportunities to achieve its vision.

The Council is aware that risks can never be eliminated fully and it has in place a strategy that provides a structured, systematic and focused approach to managing risk. However risk management is not about being ‘risk averse’, it is about being ‘risk aware’. Some amount of risk taking is inevitable and necessary if the Council is to achieve its objectives. The Council seeks to capitalise on opportunities and to achieve objectives once those decisions are made. By being ‘risk aware’, the Council is in a better position to avoid threats, take advantage of opportunities and ensure its objectives and goals are realised.

Risk management is an integral part of the Council’s corporate governance arrangements and has been built into the management processes as part of the Authority’s overall framework to deliver continuous improvement.

### **3. OBJECTIVES**

The objectives of the Council’s risk management strategy are to: -

- Increase the likelihood of achieving the council’s vision and strategic objectives;
- Prevent or reduce the potential consequences of events which could have been reasonably foreseen;
- Prevent or reduce events or actions that could damage the reputation of and public confidence in the council;
- Raise awareness of risk management to all members and staff, making it an integral part of their thinking and actions and integrate risk management into the culture of the council and its processes;
- Manage risks in accordance with best practice;
- Anticipate and respond to changing social, economic, environmental and legislative requirements;
- Inform policy and operational decisions by identifying risks and their likely impact and thereby improve use of resources; and
- Raise awareness for the need for risk management.

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(\* ISO31000:2011 Introduction)

These objectives will be achieved by: -

- Establishing clear roles, responsibilities and reporting lines within the council for risk management;
- Reporting to SMT providing opportunities for shared learning on risk management across the council;
- Providing risk management training and awareness sessions;
- Incorporating risk management considerations into the Council's management processes e.g. business planning and project management;
- Purchasing insurance for those risks, which cannot be avoided or reduced further, always retaining risk where this is economically attractive;
- Effective communication with, and the active involvement of employees;
- Monitoring arrangements on an ongoing basis; and
- Use of a standard risk register template to support the risk management process.

The Risk Management Strategy details how the above points are managed and implemented with the Council.

#### **4. RESPONSIBILITY FOR RISK MANAGEMENT**

The Council recognises that it is the responsibility of all members and employees to have regard for risk in carrying out their duties. If uncontrolled, risk can result in a drain on resources that could better be directed to front line service provision and to the meeting of the Council's objectives and community needs.

Single Leadership (Executive Directors, Assistant Directors and Service Unit Managers) has the responsibility and accountability for managing the risks within their own work areas. Employees have a duty to work safely, avoid unnecessary waste of resources and contribute to risk management initiatives in their own area of activities. The cooperation and commitment of all employees is required to ensure that Council resources are not squandered as a result of uncontrolled risks.

The Council recognises that any reduction in injury, illness, loss or damage benefits the whole community, by allowing all objectives to be met.

## RISK MANAGEMENT STRATEGY

### 1. INTRODUCTION

The Council provides a wide range of services. It is important that we protect and preserve our assets from loss or damage that may affect our ability to provide the services to the residents of the Borough.

It is the responsibility of everyone to identify, analyse, eliminate and control our exposure to potential risk and to reduce the incidence of losses.

The aim of this Risk Management Strategy is to provide an effective framework whereby, having identified and evaluated its risks, the council can design and implement appropriate measures to reduce the impact of those risks, where it would be cost-effective to do so. The explicit and measured acceptance of residual risk represents the Council's risk appetite; the objective is not to eliminate risk totally from service delivery and central support activities but to manage them.

We realise we cannot eliminate risk totally but we can take action to reduce any adverse impact on service delivery and insured and uninsured losses. To do this we must: -

- Identify all potential areas of loss
- Calculate the likely impacts of these losses
- Work out how to remove or control the potential losses
- Continually review what we do to make sure our actions are effective.

By undertaking these actions, we can support the efficient achievement of the aims and objectives of the Council.

### 2. THE BENEFITS OF RISK MANAGEMENT

Effective risk management will deliver a number of tangible and intangible benefits to individual services and to the Council as a whole: -

- **Improved strategic management**
  - Greater ability to deliver against objectives and targets
- **Improved operational management**
  - Reduction in interruptions to service delivery
  - Reduction in managerial time spent dealing with the consequences of a risk event having occurred
  - Improved health and safety of those employees and those affected by the Council's undertakings
- **Improved financial management**
  - Better informed financial decision making
  - Enhanced financial control
  - Reduction in financial costs associated with losses due to service interruption, compensation payments and litigation etc.
  - Reduction in insurance premiums
- **Improved customer services**
  - Minimal service disruption to customers and a positive external image as a result of all of the above.

### 3. THE PURPOSE OF THE RISK MANAGEMENT STRATEGY

The purpose of the strategy is to ensure a consistent and structured approach to risk management across the whole Council and that the objectives identified in the Risk Management Policy are achieved. This will be delivered by: -

#### 3.1 Roles and Responsibilities

Identifying and allocating roles and responsibilities for Risk Management is essential if the strategy is to be developed, implemented, embedded and reviewed effectively. All roles are outlined in Appendix A, however, the key roles involved in directing and leading the risk management process to ensure that it is fully embedded in the culture of the Council are detailed below: -

- **Executive Member (Finance and Performance)** as part of his Cabinet Portfolio has the responsibility to lead, monitor, have oversight and where necessary to take decisions about policy/strategy and provision of corporate finance functions including Internal Audit, Risk Management and Insurance.
- **The Audit Panel** considers the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud, bribery and corruption arrangements. It also seeks assurances that action is being taken on risk related issues identified by auditors and inspectors;
- **The Director of Finance and the Assistant Director of Finance** supported by the Head of Risk Management and Audit Services will ensure that all managers are aware of their responsibility for Risk Management, by regularly attending the Single Leadership Team to provide updates on new risk exposures and changes to the risk management process to ensure we keep pace with recommended best practice.
- **The Single Leadership Team** will consider risk management on a regular basis, ensuring that information and shared learning is disseminated within their service areas and requesting risk presentations from managers responsible for managing the corporate risks.
- **The Head of Risk Management and Audit Services** will be responsible for the coordination of advice and support including the identification of training requirements.

#### 3.2 Arrangements for Managing Risks

To manage risks effectively, they need to be systematically identified, analysed, controlled and monitored.

The Risk Management Guidelines including the Risk Register Template are detailed in Appendix B.

The Template is versatile and can be used to record risks at many levels:

- Strategic
- Directorate/AD
- Service Unit
- Projects

The information detailed in the risk register is detailed below:-

- Risk Description
- Description of Impact (Consequence)
- Controls in place to Mitigate Risk
- Evaluation of Controls

- Impact
- Likelihood
- Risk Rating
- Risk Owner
- Proposed Actions (Including resulting benefits and cost)
- Responsible Officer
- Target Date for Proposed Action

Managers have the freedom to enter their business specific risks, no prescribed operational risks have been provided for evaluation.

It is the responsibility of all managers to enter their risks into the risk register template and regularly review and update them. Corporate risks will be recorded and updated by the Risk Management and Audit Service under the direction of the Single Leadership Team.

### 3.3 Monitoring Risks

Progress in managing risks will be monitored and reported on by the following: -

- **Risk Management and Audit**  
The risks recorded in the Risk Register Templates will be reviewed and challenged at least annually to ensure that risks have been captured in relation to the specific service area or unit and also to identify any potential areas, which require support or training.
- **Single Leadership Team**  
The Single Leadership Team will receive quarterly reports on the corporate risk register and any significant operational/service risks and call managers to account to challenge and learn from risk management experience across the council.
- **Audit Panel**  
The Audit Panel receive a quarterly progress report from the Head of Risk Management and Audit Services providing an update for members on risk management activity to enable them to challenge the risk management process in place in order to ensure that risks are being properly managed across the Council.

Internal Audit will carry out reviews of the Council's risk management arrangements to provide independent assurance as to their effectiveness. In view of the Head of Risk Management and Audit Services key role in risk management, the audit will be undertaken under the auspices of the Single Leadership Team.

Internal Audit has adopted a risk based approach and is therefore giving assurance that risks are being identified, assessed and managed constantly throughout the year whilst delivering the Annual Audit Plan.

The Head of Risk Management and Audit Services reviews the Corporate Risk Register as part of the audit planning process to ensure that the corporate risk register are used to inform the Internal Audit Plan.

### 3.4 Training and Communication

Training in risk management methodology and techniques will be provided to those officers with direct responsibility for and involvement in leading and directing the risk management process across the Council, i.e. representatives from: -

- Risk Management and Insurance

- Internal Audit
- Single Leadership Team

Risk Management training will be provided for all managers/officers responsible for managing risks via risk workshops and/or by one to one support sessions to further embed the risk management process.

The Risk Management and Audit Servicer will also provide advice and support to managers, for specific projects or undertakings to ensure the management of risks and discuss any implications for insurance cover as some policies have specific requirements that have to be adhered to.

Training in relation to risk management is also delivered corporately and in service areas, examples of these courses are: -

- Managing Safely
- Working Safely
- Moving and Handling Course (Adult Services)
- Food Hygiene and Infection Control (Adult Services)
- Stress Management

Risk awareness is a built in part of the audit process as all audits are undertaken on a risk basis and therefore the management of risks is a continual process.

Risk Management awareness sessions will be provided for all members and in particular the members of the Audit Panel in consultation with Training and Organisational Development.

### **3.5 Funding of Risk Management**

The funding of risk management will be from existing budgets. However, a Risk Management Fund has accumulated from contributions from our insurers. This is monitored and controlled by the Head of Risk Management and Audit Services.

All applications for funding should be submitted to the Head of Risk Management and Audit for consideration using the form attached at Appendix C.

Funding bids up to the value of £20,000 can be approved by the Head of Risk Management and Audit in consultation with the appropriate Finance Business Partner.

Funding bids over £20,000 will be referred to the Assistant Director of Finance for consideration and approval.

The criteria used to assess a funding bid are as follows: -

- The Fund only provides financial assistance, where there is evidence of a financial commitment from the Service Unit involved.
- Must mitigate the risk; and/or
- Enhance internal Control
- Full financial support will only be considered in exceptional circumstances.

### **3.6 Review of Risk Management Strategy**

This strategy will be reviewed biennially to ensure that it is still relevant and meets the requirements of the Council, its staffing structures and services and takes into account the dynamic nature of risk management.



## 4. RISK APPETITE

Risk appetite can be defined as “the amount and type of risk that an organisation is prepared to seek, accept or tolerate” (Source: British Standard on Risk Management BS31100 2008).

Generally organisational attitudes to risk, including public sector organisations, can be said to range across a spectrum of attitudes and appetites, ranging from:-

- Low Risk/Risk Averse - here there is avoidance of any form of risk and uncertainty as a key organisational objective
- Medium Risk/Cautious - here the organisation’s preference is for safe delivery options that have a low degree of inherent risk)
- High Risk/Risk-Seeking - the organisation is innovative and chooses service delivery options offering higher customer satisfaction/quality despite greater inherent risk in these activities.

It is important to note that risk appetites may often vary across different types of risk at different times, and may even vary across directorates in these terms and that an organisation’s overall risk appetite is often a composite or aggregate of these different risk appetites.

The current position for the Council is **Medium Risk/Cautious**

## 5. RISK MATURITY

The effectiveness of the Council’s risk management systems, in identifying and managing their principal business risks, can be assessed against the five levels of risk maturity. These are as follows.

- Risk Naïve - No formal approach developed for risk management.
- Risk Aware - Scattered silo based approach to risk management.
- Risk Defined - Strategy and policies in place and communicated. Risk appetite defined.
- Risk Managed - Enterprise wide approach to risk management developed and communicated.
- Risk Enabled - Risk management and internal control fully embedded in the operations.

The current position for the Council is **Risk Managed**.

## 6. PARTNERSHIPS

Working in partnership usually means that organisations will commit some level of resources, which may be significant, in terms of officer time or direct financial funding to develop and subsequently deliver the desired outcome.

Due to this level of commitment partnerships need to carefully consider the allocation of risks and ensure that these are duly recorded in case of future challenge. The Risk Register Template can be adopted for this purpose.

By using an identified Risk Management Strategy within a partnership, this will allow the risks of the organisation to be mitigated as much as possible and support the objectives of the partnership towards a successful outcome.

## **7. INSURANCE COVER**

The Risk Management and Audit Service procure insurance cover on behalf of the Council to allow the transfer of certain risks. Consultation takes place annually at the renewal stage with appropriate service area officers to ensure that the covers required are still relevant and that asset valuations included in the schedules are kept up to date and remain appropriate.

Advice and guidance is provided to managers/officers as and when required in relation to insurance risk transfer.

## **8. CONCLUSION**

Risk management is an important aspect to the effective overall management of the Council. It can benefit the achievement of objectives, whilst protecting the Council and community against preventable hazards.

In addition to offering cost savings it can also encourage innovation with undertakings on the basis that risks are identified and are reduced to acceptable levels, to ensure positive outcomes can be achieved.

Many of the skills and resources needed to manage risk effectively already exist within the Council. This strategy offers a more structured approach, to assist with the process and support the application of the risk management methodology.

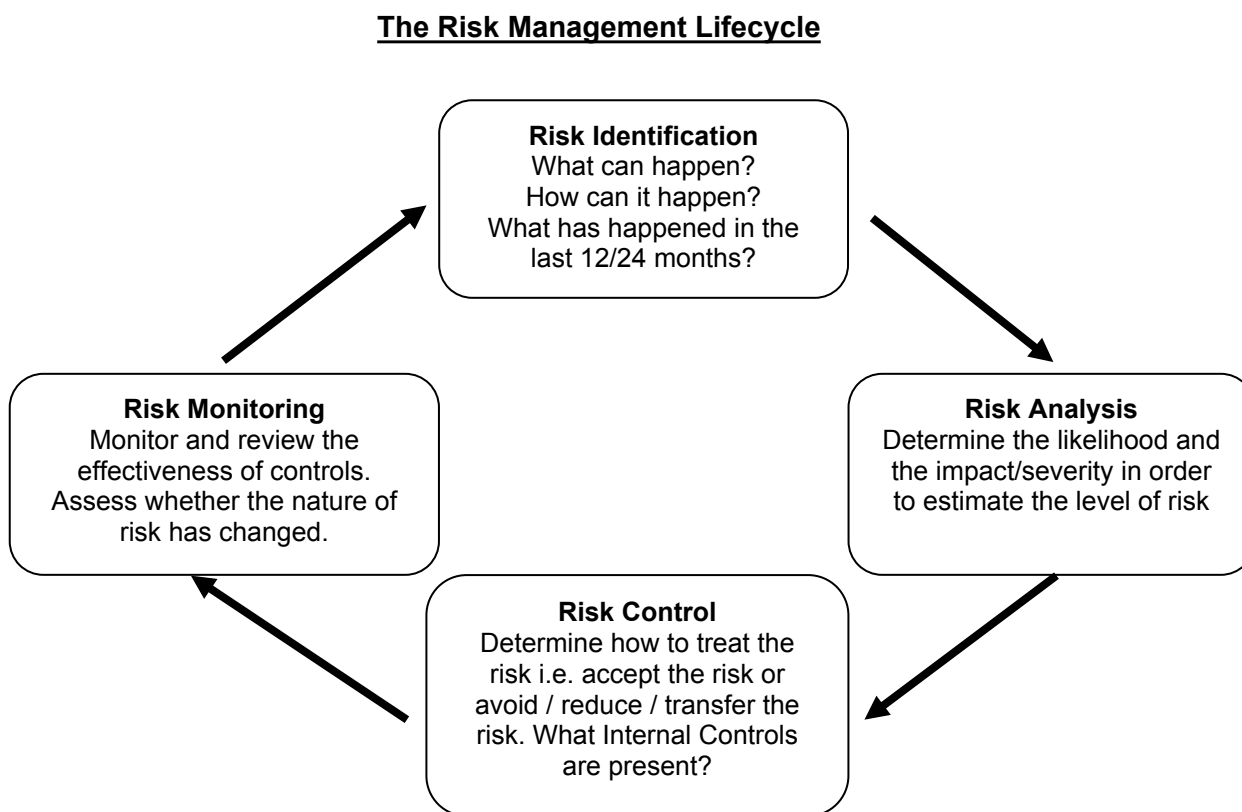
**ROLES AND RESPONSIBILITIES**

<b>Group</b>	<b>Role</b>
<b>Strategic Decision Makers e.g. Elected Members</b>	To oversee the effective management of risk by officers of the organisation
<b>Single Leadership Team</b>	To ensure that the organisation manages risk effectively through the development of a comprehensive corporate strategy and consider strategic risks affecting the organisation
<b>Head of Risk Management and Audit Services and other central support services</b>	To support the organisation and its service areas in the effective development and implementation
<b>Internal Audit</b>	Review and audit of the risk management strategy and systematic review of internal control systems.
<b>Single Leadership Team/ Senior Management Group</b>	<p>To share experience on risk, risk management and strategy implementation across the organisation. To monitor and review risk registers.</p> <p>To ensure that risk is managed effectively in each service area within the agreed corporate strategy</p>
<b>Service Unit Managers</b>	To manage risk effectively in their particular service areas and to report on how hazards and risks have been managed to Single Leadership Teams
<b>Employees</b>	To manage risk effectively in their jobs and report hazards/risks to their Service Unit Managers

## RISK MANAGEMENT GUIDELINES

### 1 RISK MANAGEMENT CYCLE

1.1 The 4 stages in the risk management cycle are illustrated in the diagram below:



### 2 RISK REGISTERS

2.1 A risk register template has been developed in Excel for completion and it is attached below.



Risk Register  
Template 2.xlsx

2.2 The Risk Register requires the following details:-

- Risk Description
- Description of Impact
- Controls in Place to Mitigate Risks
- Evaluation of Controls (Drop Down Box – see 6.3 below)
- Impact Score (Drop down Box – see 6.3 below)
- Likelihood Score (Drop down box – see 6.3 below)
- Risk Rating (Formatted cell to calculate and highlight risk category see 6.4 below)
- Risk Owner
- **Proposed Actions (Include resulting benefit and costs)**
- **Responsible Officer**
- **Target Date for Proposed Action**

The **purple bullet points** only need to be completed if the controls are judged to be ineffective or the risk rating is high.

- 2.3 The Drop-Down Box contents are as follows:-

Evaluation of Controls	Impact	Likelihood
Ineffective	1	1
Partially Effective	2	2
Effective	3	3
	4	4
	5	5

- 2.4 The risk rating is arrived at by multiplying the impact score by the likelihood score. The cell within the spreadsheet is formatted so that the cell will be colour coded as shown below.  
**Both scores are evaluated with the control in place.**

			IMPACT				
			Insignificant 1	Minor 2	Medium 3	Major 4	Major Disaster 5
LIKELIHOOD	Almost Certain	5	5	10	15	20	25
	Very Likely	4	4	8	12	16	20
	Likely	3	3	6	9	12	15
	Unlikely	2	2	4	6	8	10
	Very Low	1	1	2	3	4	5

- 2.5 Further guidance is built into the spreadsheet that explains in more detail the content for each cell (Tab 2) and how to assess and determine which score to assign to both the impact and likelihood factors (Tab 3).
- 2.6 A copy of all Risk Register needs to be emailed to Danielle Cunningham-Hobbs at [d.cunningham-hobbs@tameside.gov.uk](mailto:d.cunningham-hobbs@tameside.gov.uk) so that a central depository can be maintained.
- 2.7 Risk Registers need to be regularly reviewed once completed to ensure they are still relevant and to capture any changes to the controls in place. Where proposed actions are identified to further mitigate a risk these need to be monitored more closely to ensure the desired outcome is achieved. Risk registers relating to specific projects (including service redesigns) need to be revisited on a regular basis to ensure that the risks are managed.

### 3 SUPPORT AVAILABLE

- 3.1 Support and further guidance on any aspect of risk management is available from the Risk Management and Audit Service for any managers who want help in putting their risk registers together.
- 3.2 Support can be tailored to meet the specific needs of individual services, teams and managers. To discuss your requirements please contact Wendy Poole at [wendy.poole@tameside.gov.uk](mailto:wendy.poole@tameside.gov.uk) or on ext. 3846.

### RISK MANAGEMENT FUNDING BID

<b>Service Area:</b>	
<b>Key Contact:</b>	
<b>Tel. Number:</b>	
<b>Location:</b>	
<b>Date:</b>	

<b>Business Case:</b> Needs to cover: <ul style="list-style-type: none"> <li>• Aims</li> <li>• Scope</li> <li>• Target Problem</li> <li>• Benefits and Savings</li> <li>• Monitoring</li> <li>• Evaluation</li> </ul>	
<b>Funding Bid Amount:</b>	
<b>Funding provided from Cost Centre Budget:</b>	

<b>Assistant Director Signature:</b>	
<b>Date:</b>	

<b>Approved by:</b>	
<b>Date:</b>	

Approval up to £20,000 – Head of Risk Management and Audit/finance Business Partner  
 Approval over £20,000 – Assistant Director of Finance

**Corporate Risk Register - Feb 2018**

No.	Risk Description	Description of Impact	Controls in Place to Mitigate Risk	Evaluation of Controls	Impact score	Likelihood score	Risk Rating (Impact x Likelihood)	Risk Owner (Executive Director)	Responsible AED/SUM	Proposed Actions - include resulting benefit and costs	Responsible Officer	Target Date for Proposed Action
1	The supporting ICT provision for Council services is not resilient, it does not keep pace with organisational priorities and change and does not assure the basic requirements in terms of operational functionality and data security. Major ICT failure or lack of system integrity - Loss of all ICT systems due to an incident which affects the server room/data centre or system failure isolated to a specific system.	Loss or disruption of services internally and to the community. Loss or corruption of data, which could generate financial implication for reconstitution or additional staff hours to re-establish backups. Whilst systems not functioning fully it provides an opportunity for malicious or criminal abuse of data or systems. Reduction in morale by staff due to inability to carry out role effectively. Reputational damage with the Community as unable to deliver services as required.	Security policy and procedures, physical secure data centre with regular access review, managed, resilient and secure network infrastructure, back up and restore systems, appropriately experienced and qualified technical staff. Work on a new purpose built Data Centre in Ashton Old Baths is underway. The facility will co-locate Council and NHS systems. A DR facility in the hospital Data Centre is also under way. Work is also underway to put in place a new high speed high resilience network based on the Councils dark fibre infrastructure. As part of the transition from the current Update LAN/WAN service to the new network the support and management of LAN/WAN security will be taken back in-house. As part of this project all the council cyber security and resilient hardware and software is being updated.	<b>Effective</b>	5	4	<b>20</b>	Kathy Roe	Tim Rainey	The provision of ICT is being reviewed as part of the transition to the ICO with the Hospital and the CCG.  A Cyber Security Audit is underway in partnership with Salford Computer Audit Services.	Tim Rainey Nicola Smith Julie Hayes	Ongoing
Page 101	Following the liquidation of Carillion on Jan 15th 2018 the building is not completed within time and budget	Increased costs and delays to the building completion. Reputational risks and impact on key partners e.g. Wilkinson's, College and DWP.	Report to Cabinet 7th February 2018. Enter on 8 weeks Early Works Order with Robertson's Construction through the LEP. Establish new costs and delivery programme.	<b>Effective</b>	5	5	<b>20</b>	Robin Monk	Ade Alao	Series of meetings; Project Board; Member engagement; Strategic Planning & Capital Monitoring Panel; Executive Board & Cabinet	Robin Monk	2018
3	Failure to manage the local home care market to deliver appropriate and timely care packages	Market management is a requirement of the Care Act. Failure to ensure sufficient supply of good quality home care services could place individuals at risk. There is also a significant impact on the whole health economy if individuals remain in hospital beds because a care package cannot be commissioned. There is financial impact for the economy and reputational risk for the authority.	Tender has been undertaken and new contract/providers are now in place. New model is being rolled out and is expected to improve outcomes and reduce demand on services. TMBC resources are being used to support where there is insufficient capacity to meet demand - Reablement and Homemaker Service.	<b>Partially Effective</b>	4	4	<b>16</b>	Stephanie Butterworth	Sandra Whitehead	Service has been retendered with new providers entering the market. Training and OD development programme to improve skills of the workforce. Hourly fee to providers will be increased to enable an hourly rate of £9 per hour to staff. Early indications are that this is attracting new staff to the market.	Trevor Tench	Ongoing through 2018
4	Insufficient care home capacity in the local market to provide appropriate placements for people requiring long term care	Market management is a new requirement of the Care Act. Failure to ensure sufficient supply of good quality care home places could place individuals at risk. There is also a significant impact on the whole health economy if individuals remain in hospital beds because a place at a home of choice is not available. There is financial impact for the economy and reputational risk for the authority.	Discussions are in place with local providers about the level of capacity required in the local economy. At present vacancy level of 8% so manageable, but there is a risk of people not being able to find a bed at their preferred home. Process and documentation in place at the hospital should an individual and/or their family insist on a specific placement - this may mean moving to an alternative home as an interim arrangement.	<b>Partially Effective</b>	4	4	<b>16</b>	Stephanie Butterworth	Sandra Whitehead	As move forward shape of market will change - reduction in residential and greater nursing and dementia beds. A procurement exercise is about to commence to increase the level of complex mental health bed capacity in the market. The ICFT is working with nursing home managers and NHSP to support care homes with the recruitment and development of nursing staff.	Trevor Tench	Ongoing through 2018
5	The demolition of TAC and rebuilding of the service centre does not run to time or budget and the specification is not in line with future service delivery plans.	The identified savings will not be realised. Reputational damage with partners and the Community. Staff and service delivery will be affected.	Updated reports provided to ET, Board and Cabinet. Project Plan/Risk Register in place. External specialist being used to design the new building. Joint Project Board with the College. Internal Project Group chaired by Director of Place.	<b>Effective</b>	4	4	<b>16</b>	Robin Monk	Ade Alao	Series of meetings; Project Board; Member engagement; Strategic Planning & Capital Monitoring Panel; Executive Board & Cabinet	Robin Monk	2018

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6	Failing to protect vulnerable children - Vulnerable children are put at risk due to poor systems/processes and reduced service provision.	Service disruption, litigation, loss of public confidence and reputational damage. Negative impact on the service user's life and wellbeing.	Tameside's Safeguarding Children's Board operating effectively. Procedures and guidance in place. Partnership arrangements, information sharing protocols etc. in place. Risk Assessments carried out. Internal and external inspections of services (including schools and private providers) DBS Checks on staff, staff supervision record keeping and training in place. Partnership working with GMP and schools with Project Phoenix (CSE).	Effective	5	3	15	James Thomas	Gani Martins	The new Improvement Plan was endorsed in December 2017 by the Improvement Board, members, CEX, DfE and Ofsted as providing the right focus to drive improvement in response to our current Ofsted rating of Inadequate.	James Thomas	Ongoing
7	Failure to reduce demand upon Children's Social Care, leaving an unsustainable financial pressure on the Council.B15	Financial and reputational implications - impact on the whole Council's budget if demand cannot be reduced over time.C15	Demand reduction is a top priority of the Improvement Plan, with a particular focus D15upon the numbers and costs of LAC. New systems, services and practice focus being introduced to deliver the required reductions.	Effective	5	3	15	James Thomas	Gani Martins	Set of detailed actions within the Improvement Plan, itself monitored by the Improvement Board.	James Thomas	Ongoing
8	Failure to deliver council duties to improve the health and wellbeing of Tameside residents.	Poor health outcomes, healthy life expectancy, increasing health inequalities and increased demand on health and social care services.	Tameside and Glossop Care Together Programme provides a clear strategic commitment to address this risk. Emerging population health plans and evidence based work programmes and commissioned services aim to improve healthy life expectancy and address health inequalities by rebalancing local investments in health and social care. Public Health team members are members/leads in strategic partnerships such as Health and Wellbeing Board, Children's Improvement Board and Strategic Commissioning Board. Public Health also have a role in leadership and influencing agendas beyond health and social care commissioning to ensure responsibility for this issue amongst partners and other departments within TMBC and across the whole system is understood, shared and acted upon.	Effective	5	3	15	Angela Hardman	Debbie Watson Gideon Smith Anna Moloney	Annual Public Health business plan and commissioning intentions complying with mandatory guidance and aligned to local priorities.  Transformation funding secured from GM Health and Social Care Partnership support implementation of key elements of Care Together Programme including system wide self care programme/ social prescribing and building strengths .  Model of Care including Healthy Lives and Integrated Neighbourhood Teams agreed.	Debbie Watson Gideon Smith Anna Moloney	2016-20
9	The Council fails to benefit from the opportunities generated from the increased central government devolution to the Greater Manchester Region.	The Council's influence at a regional level is not sufficient for it to maximise the benefits which accrue from devolution such as increased economic growth. Failure to secure funding for the Tameside area including Health Transformational Funding.	The Council is supportive of the current devolution role and is playing a prominent role in shaping the present agreement with Central Government for Greater Manchester. Members and Officers attend meetings of the Combined Authority including the Wider Leadership Team. Lead roles have been allocated to Leaders and Chief Executives to drive the transformation programme forward. The Chief Executive is the lead for Health and Social Care and the Executive Leader leads on investment. With regards to TfGM bids are put in as AGMA collectively so that GM gets it share.	Effective	5	3	15	Single Leadership Team	Senior Management Group	The Council will deploy adequate resources to ensure that it is able to maximise the benefits.	Senior Management Group	Ongoing
10	Vulnerable adults are put at risk due to poor systems/processes and reduced service provision. Impacting the balance of safeguarding vulnerable people alongside the allocation of Individual Cash Budgets and developing new ways of working to promote independence.	Service disruption, litigations, loss of public confidence and reputational damage. Personal liability of members and / or officers. Negative impact on the service user's life and wellbeing.	Manuals and protocols, Health and Safety training, risk assessments, robust records and systems of inspection, Internal Audit review processes. Full evaluation of changes to service provision undertaken including consultation where appropriate and EIA's. Effective multi-agency Safeguarding Partnership now statutory Board under Care Act legislation.	Effective	4	3	12	Stephanie Butterworth	Sandra Whitehead	SCF - joined up approach across TMBC CCG & ICFT	Paul Dulson	Ongoing through 2018



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11	Increased demand for services due to demographic changes - Tameside is unable to meet the needs of its ageing population and young people with increasingly complex needs transitioning into Adult Services requiring significant savings to be made, or reductions in levels of dependency, to manage rising levels of demand.	Overspending and overstretching of staff due to increased demand, following cuts in other service areas. Changes to eligibility criteria to 'ration' services may result in reduction of care and support for some, which may have a detrimental effect on health and wellbeing of service users.	Regular review of eligibility criteria, development of prevention strategy to support more people at a lower level of need to prevent dependency on services. Care Together programme, including the development of the ICO is the primary vehicle to develop self-managing and sustaining communities, delivering the right care at the right time to maintain people at home wherever possible.	Effective	4	3	12	Stephanie Butterworth	Sandra Whitehead	Development of the Integrated Care Organisation. Development of asset based schemes involving the voluntary and community centre are at the heart of this approach - Oxford Park, , 4C, Demand prediction for Children and Young People with complex needs coming through to Adult Services - looking to mitigate through Oxford Park initiative. Expansion of Shared Lives scheme.	Adults Management Team	Ongoing through 2019
12	Ineffective procurement and contract monitoring - Procurement does not deliver value for money and is not conducted in line with best practice, PSOs and European legislation. The strategic focus on commissioning is less effective due to a lack of skills and capacity to drive the change in culture.	Poor service delivery and increased costs. Legal challenges to contracts awarded would generate financial implications and potential service disruption. Reputational damage amongst suppliers and partners could impact on subsequent tenders and relationships.	Procurement Standing Orders and guidance notes. Training. Internal Audit. Waivers Reports have to be approved by Finance and Legal. Review of Authority spend analysis which highlights suppliers spend over PSO thresholds and aggregate spend for further investigation. Procurement Leads group established. Single Commissioning Function established with TMBC and CCG - new governance - staff currently orienting to the new arrangements.	Effective	4	3	12	Kathy Roe	Tom Wilkinson	A review of procurement has been commissioned with the proposal for a fully resourced solution to be agreed by April 2018 and implemented by 1st September 2018	Tom Wilkinson	September 2018
Page 103	The inconsistent application of information standards and controls could result in a significant, unauthorised disclosure of personal and/or sensitive data. Indicating a failure to protect the Council's data and information. With potential for multiple breaches of the Data Protection Act and the Freedom of Information Act	Disruption to service delivery. Reputational damage both regionally and nationally. Financial implications due to compensation claims and costs of putting right damaged caused. Investigation by Information Commissioner, with potential for monetary penalties and enforcement action and the financial impact that goes with these.	Guidance on Intranet. Standard incident reporting forms introduced. Advice from legal. Publicity, reminders via SLT, corporate screensavers and the Wire. Information Governance Framework developed and implemented. Information Asset Audits ongoing in preparation for GDPR. Information Governance Group and Champions Group in place to keep controls under review. E Tutorials and training and awareness sessions delivered and ongoing support provided. Only encrypted removable devices can be connected to the network. Email and Files Electronic Retention Policy in place. Paperless Policy approved and work ongoing to engage with services to implement.	Effective	4	3	12	Sandra Stewart Kathy Roe	Aileen Johnson Tim Rainey Wendy Poole	Work on going in relation to GDPR. Awareness and training to be delivered and a revised E-Tutorial is to be added to Me Learning.  Engagement with Information Champions  Information Asset Audits underway.	Wendy Poole  Information Governance Group  Information Champions Group	May 2018
14	The Council is unable to deliver the Medium Term Financial Strategy - Failure to deliver services within reduced budgets and provide for future financial stability.	The corporate savings requirements are not fully understood by the services and the planned service redesigns and savings are not achieved. The full implications of reduced service provision needs to be understood to ensure that a reduction in one area does not cause a cost pressure in another . Staffing cuts, overspends, complaints and reputational damage. Failure to achieve savings targets within timescales will push future years cost pressures up, impacting on future budget reductions.	Budget report presented to Council in February. From 2018/19 the MTFP will be refreshed 3 times a year as part of the financial update reports that include the monitoring of the revenue budget position. Both the revenue financial update and capital monitoring will be reported to SLT, Board and Executive Cabinet. In year budget variances will be categorised between savings plans not being delivered and additional pressures, so full visibility is given as to the origin of any problems. Recovery plans will be put in place. All managers issued with a budget book which sets out their approved budgets and associated resources. Budget cycle for 2019/20 starts in June 2018 where, Corporate projects and priorities will be affirmed, with regular update reports throughout the year for SLT and Board. CDT sessions to ensure managers aware of the financial outlook and importance of achieving savings targets. Board Business Day covers the financial savings needed.	Effective	4	3	12	Kathy Roe	Tom Wilkinson	Work is on going with the CCG and Tameside and Glossop Integrated Care NHS Foundation Trust to review the health economy financial position to put plans in place to close the identified gap. Transitional Funding of £23.2m spread over four year has been approved. Different delivery models are being reviewed including a review of support services.  Council service budgets are being reviewed and savings identified/challenged to ensure robust delivery plans are in place.  Proposed changes to Business Rates need to be monitored and the impact fully evaluated.	Tom Wilkinson	2018-22

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15	Ineffective use of data and intelligence to support the decision making process.	Services not fully taking advantage of the information collated by the council to properly inform project appraisals and decision making. Decisions could be challenged if not evidence based. Inefficient and ineffective service delivery to the Community.	Training on Safe and Sound Decisions. Reports reviewed by Legal and Finance to ensure legal and financial implications have been considered fully. Making use of the available insight and intelligence work that the Policy Team coordinate. Information Governance Framework is in place to provide guidance on information use and sharing to ensure the lawful use of Council information and advice can be obtained from Legal and Finance.	Effective	4	3	12	Sandra Stewart Kathy Roe	Sarah Dobson Wendy Poole	Information Champions Group established to work with the Information Governance Group to ensure that data is shared across the Council where appropriate to drive process efficiencies.  Information Assets Audits underway to identify the information we hold, why we hold it, what we do with it and who we share it with.  GDPR enhances the need for transparency and the rights of individuals, therefore the information asset outcomes will need to be reviewed to identify subsequent work in terms of privacy notices, sharing agreements and consent where used.	Wendy Poole	Summer 2018
16	Impact on the Council in relation to the changing landscape for schools including; Free Schools, Academisation and linked issues relating to BSF/PFI.	Loss of Land. Reputational damage for the Council if Free Schools/Academies do not perform to acceptable standards. Potential financial impact on the council if schools transfer to an academy with a deficit in place. Funding/legal implications for BSF/PFI schools. Impact on support services within the Council. Loss of capital receipts available to fund wider Council investment programme.	Deficit recovery planning support in place. The Council is only liable for a deficit if the school becomes a sponsored academy because it is deemed to be failing. Support services to schools will be reviewed during 2018/19, including the FM and catering contracts. A clear strategy is in place to support schools which is regularly monitored by the Council's Education Attainment Improvement Board.	Effective	4	3	12	James Thomas Kathy Roe	Bob Berry Tom Wilkinson	Review of support services to schools to be undertaken, new arrangements to be implemented by April 2017.  Local Partnerships are undertaking a review of the PFI contracts currently in place to determine the opportunities to reduce cost and ensure affordability over the contract duration	<b>Support Services</b> Tom Wilkinson/ Tracy Brennand  <b>PFI/BSF</b> Robin Monk	<b>Support Services</b> April 2019 <b>PFI/BSF</b> April 2018
17	Impact of the recession on Tameside - The economic climate affects Tameside to the detriment of residents and local businesses.	Reduced income due to reduction in CT and NNDR payments. Increased potential for fraud. Less grant money available. Increased claims for benefit and debt/housing assistance. Businesses fold and Tameside becomes less attractive to potential investors. Reduced capital receipts.	Significant investment in our Town Centres including Infrastructure improvements, Vision Tameside, assisting local businesses to access funding for investment. Programme of asset disposals drive economic growth. A programme of support for Employment and Skills. Continue to bid for transportation funds. New college building on the old camp street car park is now open.	Effective	4	3	12	Robin Monk	Ade Alao Peter Taylor	GM Spatial Framework being developed. Submission, examination and adoption in 2018.	Ade Alao Peter Taylor	2018
18	Work on public service reform does not deliver the expected savings and impact on the Community. The internal ability to deliver Public Sector Reform, the savings and transformation agenda is vulnerable to capacity constraints, financial restraints and external policy.	The partners' expectations and performance indicators are not met and could create lack of enthusiasm for working in this way. Potential for reputational damage if the Community does not understand why we are working this way and the benefits to them.	Multi - Agency Communities Teams in place from May 2016. Identification of risk in the community include mental health, ASB and domestic abuse. Key priorities to be addressed to create stronger communities include school readiness, transition into adult hood, worklessness and ageing. Work and progress is reviewed as part of the Community Safety Partnership. Further integration will need to be actioned between the INS service, Health Neighbourhoods and Early Years Teams in Childrens Services.	Effective	4	3	12	Ian Saxon	Emma Varnum	Further integration is planned with the ICO's into 4 Integrated Neighbourhood Teams with Health and Social Care	Emma Varnam	April 2019



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19	Failure to provide an appropriate Civil Contingencies response to an incident or emergency affecting the community or the Council, including extreme weather conditions due to climate change.	Loss of accommodation, key staff, IT services, records/information, equipment. Unable to supply the legally required and identified emergency level of service to customers and service users. Loss of reputation regionally and nationally. Care in the Community overstretched and potential impacts on other front facing services depending on the nature of the incident. Public fear and concern along with potential accommodation problems. Service failure. Drains and sewers unable to cope with volume of rainfall. Community safety implications with heat stroke. Increase potential for Infrastructure and property damage, with fires, settlement and storm damage. Reputational impact. Possibility of an increase in the number of insurance claims. Accommodation problems. Public concern.	Emergency Plan, Community Risk Register, Statutory Duties. Director on Call and Forward Incident Officers in place. Regular meetings and forums with Blue Light services and other LAs. Central GM Civil Contingencies Team in place. Plans are tested. Flood plan in place. Business Continuity Plans in place.  Key Officers attended Operation Ferranti in November and an action plan is now being devised with the assistance of the GM Emergency Planning Team to improve business continuity across the Council.	<b>Partially Effective</b>	5	2	10	Kathy Roe Ian Saxon	Mike Gurney Wendy Poole	Business Continuity Management System to be reviewed in light of the learning from Operation Ferranti.	Michael Gurney Wendy Poole	October 2018
20	Failure to support schools effectively to achieve a judgement of good/outstanding by Ofsted	If schools are unable to make the level of progress required to assure Ofsted that all children are receiving a good standard of education, the Council could attract a full inspection of its school Improvement Support Services by Ofsted. A worst case scenario would result in this function being removed from the Council. The reputational damage to the Council would be very significant.	A clear strategy is in place to support schools which is regularly monitored by the Council's Education Attainment Improvement Board. Failure to recruit a Lead Primary Officer, and the departure of the AED Learning, will result in a temporary lack of leadership in this area and mitigating actions are in place. As of December 2017 94% of primary-school aged children attend a 'Good or better' primary school, and 62% of secondary-aged children attend a 'Good or better' secondary school.	<b>Effective</b>	5	2	10	James Thomas	Bob Berry	Introduction of a more systematic review of schools causing concern	Bob Berry	March 2018
21	Failure to open a new secondary school in September 2018.	The borough will have failed to provide sufficient school places for approximately 300 young people. Reputational damage.	Detailed pupil planning projections from officers indicate a 'bulge' year for secondary places in 2018. This data also indicates the geographical location of where projected gaps in provision are. All necessary legal and funding requirements are in place to ensure that the new school in Littlemoss will open for Y7 in September 2018. However, the collapse of Carillion may present challenges for the projects to increase capacity in other secondary schools.	<b>Effective</b>	3	3	9	James Thomas	Bob Berry	Planning is on track with EFA, RSC, Laurus Trust, and council officers.	Bob Berry Robin Monk	Sept. 2018
22	The property portfolio rationalisation necessary for the delivery of appropriate council wide services is not delivered and consequently savings are not achieved.	The Council will have an unnecessary financial burden in respect of unoccupied or under used properties. Impact on the overall funds for the Council and compliance with the MTFS.	Programme of asset disposals by value. Regular sales at auction. Progressing major sites to outline planning. There is a strategy in place which is considered by the Strategic Planning and Capital Monitoring Group, and disposals are approved by Cabinet. There is a process in place to delivery £55m over 3 years. Sites/buildings to go to the Market are discussed monthly with the Executive Member.	<b>Effective</b>	3	3	9	Robin Monk	Robin Monk	Capital Officer Working Group being set up by Finance.	Robin Monk	2018
23	Requirements of the Care Act on service provision and associated financial implications.	Additional demands on assessed care provision and associated additional cost.	Ongoing review of Adult Social Care service delivery alongside Care Act and MCA requirements. This includes reduced dependency on residential care and increased independent living at home at lower cost.	<b>Effective</b>	4	2	8	Stephanie Butterworth	Sandra Whitehead			

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24	Insurance purchased inappropriate or inadequate to provide necessary cover for the Council's risks.	Increased costs, service interruption, potential litigation/fines, complaints and reputational damage. Financial impact on budgets if inadequate cover in place.  Risk Management processes need to be continually addressed to mitigate actual claims received.	Annual Renewal Process undertaken in conjunction with Insurance Brokers (AON). Insurance contract let every 5/7 years in conjunction with our Insurance Brokers. Regular review meetings take place with Brokers/Insurers/Claims Handlers to monitor performance and to discuss changes in the insurance market and keep abreast of new claim trends and discuss any litigation issues or court rulings that could have impact. Members of the North West Insurance Officers Group.	Effective	4	2	8	Kathy Roe	Tom Wilkinson Wendy Poole	Review meetings with Financial Management to discuss insurance matters to be scheduled.  Annual Insurance Report to be presented to SLT.  The necessity to purchase Cyber Insurance will be assessed as part of the 2018 /19 renewal process.	Wendy Poole	Ongoing
25	Inability to appropriately store and retrieve digital records and media in a future proof format.	Loss of data. Unable to retrieve digital records. Staff encouraged to use centralised storage and not removable drives. Financial implications with the cost of paper storage increasing. Financial and time implications of reconstructing data/information. Potential for litigation or fines from the ICO.	IT Back-Up system in place. Daily and weekly back ups taken. Back ups are stored off site. The Data Centre is now located in Rochdale MBC's 'Server room located at 1 Waterside Rochdale. Horizon scanning for future developments and improvements. Information Governance Framework in place, all staff should be reviewing the files they have in line with the Retention and Disposal Guidance. Information Asset Registers in place. Retention Policy for emails/files in place and project to put in place EDRMS and case management for all services underway.	Effective	4	2	8	Kathy Roe	Tim Rainey	Paperless Policy now in place and service areas are being encouraged to engage with ICT Services (Janet Etchells) to work towards implementation.	Tim Rainey Julie Hayes	Ongoing
Page 106	Pension Fund investments do not provide the appropriate/anticipated level of return/ income, to support the development of the fund.	Increased employer costs. Reputational damage to the Fund and overall stakeholder concern.	Investments are placed with different fund managers diversified across different asset classes and countries. Markets are monitored daily with the Fund's performance being a major item at each quarterly meeting of the Pension Fund Management Panel. The Funds operations are subject to both internal and external audit. There is also a statutory valuation of the Fund every three years, part of which is to compare assets to liabilities.	Effective	4	2	8	Sandra Stewart	Tom Harrington Paddy Dowdall			
27	Local Government Pension Scheme asset pooling requirements not met.	Government uses its powers to direct the Fund as set out in the new Investment Regulations. Reputational damage to the Fund and overall stakeholder concern.	Fund has chosen pooling partners and submitted a response to Government. Professional advice will be sought throughout process.	Effective	4	2	8	Sandra Stewart	Euan Miller	Continued development of pooling arrangements including implementation of new Fund custodian. Successful pooling outcomes will result in improved net investment returns and lower employer contribution rates.	Euan Miller	2018
28	Alignment of partnership working - Inability to ensure that partnership arrangements deliver agreed outcomes. Increased pressures and reduced capacity on external providers to develop and provide services.	Failure to deliver planned outcomes, loss of credibility and reputational damage. Damage to morale, financial and resource implications. Possible litigation. Partners not being in the same place as the Council. Reduced market capacity and choice of consumers.	Corporate Plan is monitored regularly by Single Leadership Team and Board. The governance arrangements regarding the Care Together Programme are now in place and decisions are made by a Joint Commissioning Board and the Executive Cabinet depending on the nature of the decision.	Effective	4	2	8	Single Leadership Team	Senior Management Group			

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29	Failure to prevent or detect acts of significant fraud or corruption with consequent financial or reputational damage to the Council.	Financial loss to the Council and reputational damage. Adverse publicity both locally and nationally. Investigations are resource intensive. Prosecutions can take a long time to conclude.	Fraud risk assessment carried out by Internal Audit. Internal Audit review systems on a cyclical basis to provide assurance that effective controls are in place and working. Internal Audit provide advice and support to managers to ensure the control environment is considered when changes are being proposed. Anti Fraud, Bribery and Corruption - Statement of Intent in place. Fraud Response plan in place. Whistleblowing Policy in place. Management are responsible for the control environment and this is tested as part of the Annual Governance Statement process as Executive Directors sign assurance letters. All ongoing investigations are reported to the Standards Panel and summary data is presented to the Audit Panel as part of regular progress reports by the Head of Risk Management and Audit Services.	Effective	3	2	6	Kathy Roe	Tom Wilkinson Wendy Poole	Investigation process and fraud documents are to be reviewed to ensure they adhere to best practice.	Wendy Poole	July 2018
30	In-effective community cohesion. The community cohesion activities undertaken do not have the required results, of raising awareness, integration and acceptance within the community.	Unrest, riots and vandalism. Inequalities within the community becoming more prevalent and raising community tension. Potential to lead to an increase in crime and disorder. Failure to comply with Equality Legislation could lead to reputational damage and litigation.	The new Community Safety Partnership and sub groups are established. With regular tension and performance monitoring through THIP group, plus Prevent and Channel Groups. An action plan to improve cohesion has been written and is being enacted. A high level intervention group has been identified for when tensions arise, threat analysis forms part of service planning.	Effective	3	2	6	Ian Saxon	Emma Varnam	Community Safety structure is being reviewed to ensure the ability to respond to cohesion issues.	Emma Varnam	Ongoing
31 New	Increase of illegal dumping of waste on both public and private land within the borough	The council is unable to remediate the cost of monitoring and clearing illegal waste. Reputational damage both regionally and nationally. Potential risk to health for residents and increased dissatisfaction and tensions within the community. Investigations are resource intensive. Prosecutions can take a long time to conclude and then clear	Controls are in place to monitor sites through regulatory services. Notices are served and perpetrators pursued through the criminal justice system. Established partnerships with the Environmental Agency and the Police. Testing and monitoring of suspected unlicensed sites.	Effective	3	3	6	Ian Saxon	Emma Varnam	Illegal dumping of waste will be monitored through the Enforcement Panel to ensure an appropriate strategic oversight.	Emma Varnam	Ongoing
32	Failure to reconcile Guaranteed Minimum Pension (GMP) data prior to the HMRC deadline of 2018.	Loss of reputation. Incorrect amounts of pension may be paid. Risk of not being compliant with The Pensions Regulator's Code of Practice.	A project plan and project team is in place and progress against targets are being monitored by the Fund's Management Team and the Pension Administration Working Group. Working processes have also been reviewed by Internal Audit.	Effective	4	1	4	Sandra Stewart	Emma Mayall	Fortnightly progress review meetings continue to take place to ensure progress is in line with expectations. Reports are presented to the Working Group every quarter.	Emma Mayall	Ongoing (up to expected project end date of December 2018)

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<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	6 March 2018
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL 2017 TO 2 FEBRUARY 2018</b>
<b>Report Summary:</b>	To advise Members of the work undertaken by the Risk Management and Internal Audit Service from April 2017 to 2 February 2018 and to comment on the results.
<b>Recommendations:</b>	That members note the report and the performance of the Service Unit for the period April 2017 to 2 February 2018.
<b>Links to Community Strategy:</b>	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
<b>Policy Implications:</b>	Effective Risk Management and Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
<b>Financial Implications: (Authorised by the Section 151 Officer)</b>	Effective Risk Management and 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 and compensation payments to a minimum and provides assurance that a sound control environment is in place.
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	Demonstrates compliance with the Accounts and Audit Regulations 2015.
<b>Risk Management:</b>	Assists in providing the necessary levels of assurance that the significant risks relating to the council's operations are being effectively managed.
<b>Access to Information:</b>	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: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a>

## **1. INTRODUCTION**

- 1.1 This is the second progress report for the current financial year and covers the period April 2017 to 2 February 2018.
- 1.2 The main objective of this report is to summarise the work undertaken by the Risk Management and Internal Audit Service during the ten month period in respect of the approved Plan for 2017/2018, which was presented to the Audit Panel in May 2017.

## **2. RISK MANAGEMENT AND INSURANCE**

- 2.1 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; and
  - 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.
- 2.2 Progress to review the risk management process has been delayed due to capacity issues and conflicting priorities. As detailed in the Risk Management Report on the agenda, a review will be undertaken in the coming months in conjunction with Tameside and Glossop Clinical Commissioning Group.
- 2.3 Work has focused on the information governance agenda in light of the introduction of the General Data Protection Regulations (GDPR) which will become effective in May 2018 together with the new Data Protection Act. Work has concentrated on:-
- Reviewing our policies and procedures to identify which need to be updated;
  - Working with the Information Champions Group to raise their awareness of the changes introduced by GDPR and the new Data Protection Act;
  - Reviewing the Information Commissioners Office (ICO) GDPR Guidance – 12 Steps to Take Now to target resources effectively. The key to complying with GDPR is understanding what personal data / information we hold, where it came from, what we do with it and who we share it with. Information Audits are underway with a number of the Information Champions to pilot the template created.
- 2.4 The Risk and Insurance Manager, who has been seconded to GM Connect since October 2015, was appointed to the Greater Manchester Combined Authority with effect from 1 February 2018 and therefore the service redesign report was presented to the Employer Consultation Group on 6 February 2018. The redesign deletes the two existing posts in the structure of Risk and Insurance Manager and Risk and Insurance Officer and replaces them with two Risk Insurance and Information Officers who will report direct to the Head of Risk Management and Audit Services. Recruitment to the posts is currently underway.



- 2.5 Attendance at an emergency planning exercise in November highlighted a number of development areas in terms of business continuity and therefore a joint report is being prepared with the assistance of the Greater Manchester Emergency Planning Team and the Tameside Emergency Planning Manager for presentation to the Single Leadership Team. An update will be provided to the next Audit Panel Meeting.
- 2.6 Work is ongoing in terms of Insurance Renewal to meet the required deadlines and have all covers renewed by 31 March 2018. Continued support in relation to insurance claims has been provided to both service areas and schools throughout the period to ensure that claims against the Council are robustly defended.

### 3. INTERNAL AUDIT OVERVIEW

- 3.1 The Audit Plan approved on 30 May 2017 covered the period April 2017 to March 2018 and totalled 1,666 Days. This was made up of 1,179 days on planned audits and 487 days on proactive / reactive fraud work.
- 3.2 Table 1 below provides a summary of progress against the revised plan to 2 February 2018 (Week 44). The actual days delivered as at 2 February are 1,229 which equates to 83% of the total audit days in the revised plan for 2017/18 at 1,666, compared to 77% at this stage during 2016/17. **Appendix 1** provides a detailed breakdown of the 2017/18 Audit Plan.

**Table 1 – Annual Audit Plan Summary 2017/2018**

Service Area / Directorate	Approved Plan Days 2017/18	Revised Plan 2017/18	Actual Days to 2 Feb 2018	%
Adults	59	59	58	98
Children's	117	74	59	80
Population Health	29	29	12	41
Place	62	32	36	113
Operations and Neighbourhoods	98	64	50	78
Governance	156	116	131	113
Finance	100	90	51	57
Learning	205	205	165	80
Cross Cutting	53	23	4	17
Greater Manchester Pension Fund	300	300	228	76
Fraud Work/Irregularity Investigations	487	487	435	89
<b>Total Planned Days for 2017/2018</b>	<b>1,666</b>	<b>1,479</b>	<b>1,229</b>	<b>83</b>

- 3.3 A detailed review of the audit plan has been undertaken in conjunction with senior management to ensure that the plan is still relevant, meets the needs of the Council and balances to available resources. The original plan of 1,666 days has been revised to 1,479 days, a reduction of 187 days. Table 2 below identifies the audits rescheduled to 2018/19.

**Table 2 Changes to the Annual Plan 2017/18 as at February 2018**

Service Area	Audits Rescheduled	Days
Adults	Home Care	15
Children's	Children's Home	20
	Placements North West	15
	Emergency/Cash Payments	10
Place	Capital Projects	15

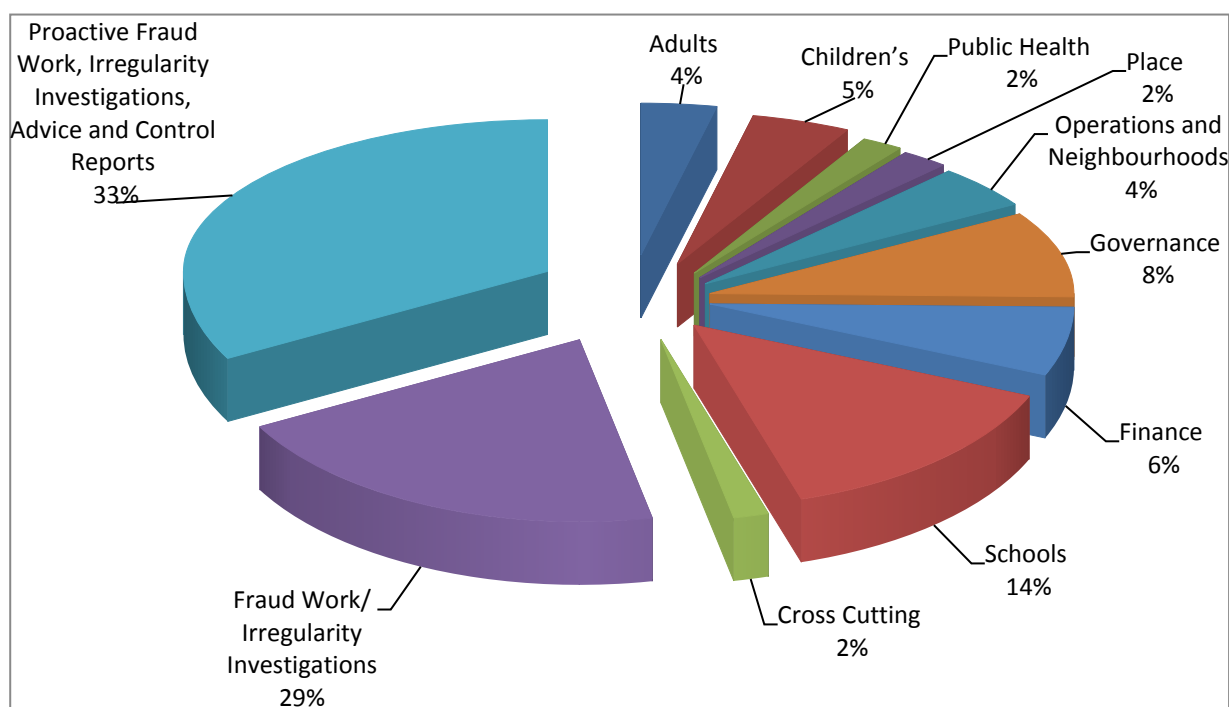
Service Area	Audits Rescheduled	Days
Operations and Neighbourhoods	Environmental Services Income	15
	Waste Disposal Levy	15
Governance	Determination/Recovery of Charges	15
	Debtors	10
	Softbox	15
Finance	Network Security	10
Cross Cutting	Integrated Commissioning Fund	15
	Information Governance – Mobile Working	15
<b>Total</b>		<b>185</b>

#### 3.4 Performance to date has been affected by:-

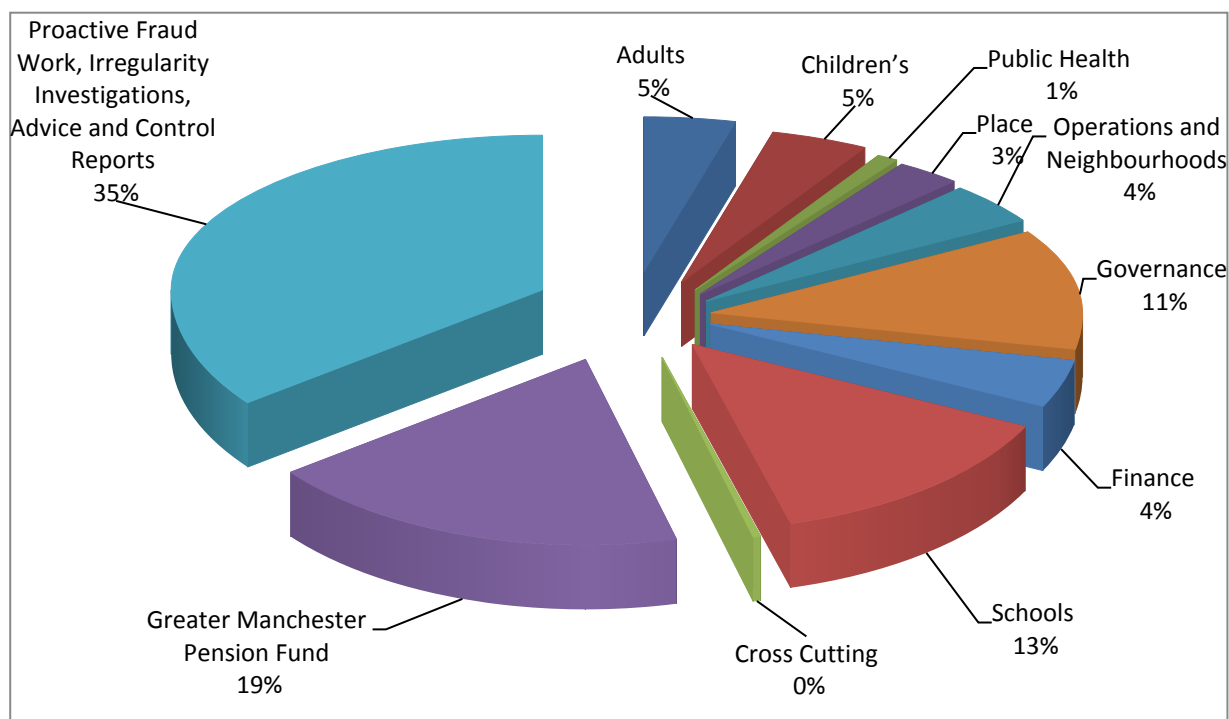
- The original plan was based on known estimated resources at the beginning of the year and based on a full complement of staff.
- A significant delay in appointing an Auditor, the post was vacated in May 2017. Whilst an appointment has been now been made the new recruit has only just joined the team in March. An intensive training and support package will be required to enable the new starter to develop as an auditor, which means that productivity in the early weeks and months will be limited.
- A number of conflicting priorities in terms of irregularities, which has diverted days away from planned work to reactive work.
- The departure of one of the Fraud Investigators / Counter Fraud Specialists in December. Recruitment was successful and the new postholder has now joined the team.
- Responding to requests from managers for new audits and providing advice and support to ensure changes to systems, processes and procedures do not adversely affect the control environment.

#### 3.5 The Pie Charts below present the revised plan for the year and the actual days delivered to 2 February 2018.

**Pie Chart 1 – Revised Audit Plan 2017/2018**



## Pie Chart 2 – Actual Days Delivered to 2 February 2018



### 4. AUDIT ACTIVITY TO 2 FEBRUARY 2018

- 4.1 During the period October 2017 to February 2018, 5 Final Reports were issued in relation to systems, risk and managed audits, the results of which are summarised in table 3 below.

**Table 3 – Final Reports System/Risk/Managed Audits**

Opinion	Number	%	Total To Date	Total for 2016/17
High	0		5 (4)	5 (4)
Medium	3 (1)	60	7 (2)	13 (8)
Low	2 (1)	40	3 (1)	7 (2)
<b>Totals</b>	<b>5 (2)</b>	<b>100</b>	<b>15 (7)</b>	<b>25 (14)</b>

**Note:** The figures in brackets relate to Final Reports issued for the Pension Fund.

- 4.2 In addition to the final reports issued above, 5 Draft Reports have been issued for management review and responses and these will be reported to the Panel in due course.
- 4.3 Not all work undertaken by the team generates an audit opinion and several pieces of work undertaken in the period fall into this category:-

- GMCA Grant Assurance Work;
- Hattersley Collaboration Agreement;
- Pension Fund Employer Agreements;
- Data Verification for Transfer of First Bus to the Pension Fund;
- Estates Management Consultancy Review;
- Advanced Contribution Scheme Consultancy Advice;
- Investigations into Information Incidents;
- Grafton Centre – Review of Operations/Production of an Action Plan;
- System Sign Offs – UK Mail, Agresso and Oxygen Project;
- Advice to the Pension Fund - Altair Payroll Upgrade;

- New BACS process; and
- Pension Fund - Guaranteed Minimum Pensions Reconciliation.

- 4.4 3 School Audits were completed during the period, the results of which are summarised in table 4 below.

**Table 4 – Final Reports Schools**

Opinion	Number	%	Total To Date	Total for 2016/17
High	1	33	7	6
Medium	2	67	3	5
Low	0	0	2	1
<b>Totals</b>	<b>3</b>	<b>100</b>	<b>12</b>	<b>12</b>

- 4.5 In addition to the final reports issued above, 2 further audits have been completed and the draft reports have been issued to the Schools for management review and responses and they will be reported to the Panel in due course.
- 4.6 Post Audit Reviews are undertaken approximately six months after the Final Report has been issued, however, where a low level of assurance is issued the post audit review is scheduled for three months to ensure that the issues identified are addressed. 11 Post Audit Reviews have been completed during the period taking the total to 23 for the year to date. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented. A further 19 Post Audit Reviews are in progress, which will be reported to the Panel at a future meeting.

## **5. REVIEW OF INTERNAL AUDIT**

- 5.1 The review of Internal Audit, reported to the Audit Panel on 31 May 2016 against the High Level Public Sector Internal Auditing Standards (PSIAS), highlighted that the service is fully compliant with the requirements of the standard.
- 5.2 The Public Sector Internal Audit Standards (PSIAS), introduced from April 2013, require at Standard 1312 that each organisation's internal audit service is subject to an external assessment "once every five years by a qualified, independent assessor or assessment team from outside the organisation".
- 5.3 The Peer Review for the Council will take place from 12 – 14 March 2018 and is being conducted by Blackpool and Bolton.
- 5.4 Work is currently on going to assess the service against the detailed requirements of the Public Sector Internal Auditing Standards and ensure that the processes in place are effective and efficient service.
- 5.5 The Internal Audit Charter for 2018/19 has been refreshed and is attached at **Appendix 2** for consideration and approval. Some of the key areas it covers are listed below:-
- Definition
  - Responsibility and Objectives of Internal Audit
  - Independence and scope of Internal Audit
  - Opinion Work
  - Reporting
  - Internal Audit Access Right
  - Resources

## 6. ANNUAL GOVERNANCE STATEMENT 2016/17

- 6.1 The Annual Governance Statement presented to the Audit Panel on 30 May 2017 and approved by the Overview (Audit) Panel on 11 September 2017 highlighted several areas for development. Table 5 below provides an update on progress to date.

**Table 5 – Annual Governance Statement Development Areas**

Area of Review	Improvement Required	Progress to 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.	New leadership in place – Director of Children's Services (DCS), Assistant Director and two Heads of Service. New Improvement Plan signed off 30/11/17. Further Ofsted Monitoring Visit in January 2018 judged Council to have taken appropriate action to address the slow pace of improvement, and that the new leadership has accurate understanding of current state of service and what improvements still required; majority of casework still below standard, but other improvements found including improved management oversight.
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.	Initials meetings have taken place with colleagues in the CCG to discuss risk registers and business continuity planning. However, resources have been prioritised to deal with Insurance Renewal and preparation for the introduction of GDPR and the new Data Protection Act. Work in relation to risk management and business continuity will be picked up once the new posts have been filled and the team is back up to full capacity.
Health and Safety (New)	To Review process and procedures in place to ensure consistency of approach and embrace electronic recording where appropriate	Directorate Health and Safety Meetings now established to ensure consistency of approach across the organisation.  Electronic recording of accident management system is being established.  Draft Revised Health and safety policy to be taken to Employer Consultation Group in March to request the start of formal consultation.
Managing Change	The ongoing level of change across the organisation, reduced	A risk based Internal Audit Plan is in place that addresses the keys

Area of Review	Improvement Required	Progress to Date
(Carry Forward)	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.	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 in relation to new/ changes to processes and systems.
Care Together (Carry Forward)	<p>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 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>	At the Board-to-Board-to-Board meeting in December 2017 the three statutory partners agreed the Care Together programme objectives for 2018/19. These have subsequently been reported to the Care Together Programme Board and were endorsed at its meeting in January 2018. At each of the Care Together Programme Board meetings during 2018/19 an update will be provided detailing the progress being made on delivery of these agreed milestones. This will facilitate a discussion by any of the three statutory partners should there be future concerns regarding the programme's pace.'
Vision Tameside (Carry Forward)	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>Carillion the main contractor engaged by the LEP to construct the Vision Tameside build went into Liquidation on 15th January 2018.</p> <p>The LEP proposed an 8 week Early Works Order with Robertson Construction commencing 14th February following a Cabinet decision taken by the Council on 9th February. The Early Works Order will allow Robertson's to carry out due diligence, re-engage sub contractors and enter into contact with the council to complete the build.</p> <p>At this stage it is anticipated that there will be delays to the completion and increased costs which will not be covered by any remaining Contingency.</p> <p>A full report will be submitted to the Strategic Planning and Capital Panel in March with an update on progress with the Robertson's</p>

Area of Review	Improvement Required	Progress to Date
		<p>Early Works.</p> <p>At the end of the Early Works the council will be in a position to understand delays and any additional costs.</p> <p>PWC the official liquidators have been informed of the council's intentions.</p>
<p>Pension Fund Pooling of Investments (Carry Forward)</p>	<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 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.</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 which is making collective direct infrastructure investments and are creating a similar vehicle to make collective private equity investments from April 2018.</p> <p>A procurement exercise has been undertaken to appoint a pool custodian and the winning bidder will be announced shortly.</p> <p>A formal joint committee governance structure will be established.</p> <p>Representatives of the Fund will continue to work closely and seek professional advice, as required, in order to finalise all aspects of the Pool.</p>

## 7. IRREGULARITIES/COUNTER FRAUD WORK

- 7.1 Fraud, irregularity and whistle-blowing 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.
- 7.2 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.
- 7.3 The number of cases investigated during the period April to September 2017 is summarised in Table 6 below.



**Table 6 – Investigations Undertaken from April to September 2017**

Detail	No. of Cases
Cases B/Forward from 2016/2017	15
Current Year Referrals	6
<b>Total</b>	<b>21</b>
Cases Closed	7
Cases Still under Investigation	14
<b>Total</b>	<b>21</b>
<b>Assistance Cases</b>	<b>5 (2 Closed)</b>

7.4 The above investigations can be categorised by fraud type as shown in Table 7 below.

**Table 7 – Investigations by Fraud Type**

Fraud Type	No. of Cases	Value £	Recovered To Date £	Potential Annual Savings £
Direct Payment	9	125,148		25,058
Procurement/Duplicated Invoices Fraud	2	100,354	To be recovered on retirement - £58,000 (2023)	
Misappropriation of Monies/Stock	8	20,029	£19,576 to be recovered via court proceedings	
Staff Conduct (Time/HB Fraud)	2	1 Proven	-	-
<b>Total</b>	<b>21</b>	<b>245,531</b>		<b>25,058</b>

7.5 Successful investigations are dependent on conducting thorough investigations and working closely with Legal Services, the Police, HR and investigating officers within the Council to ensure that the most appropriate sanction is achieved where allegations of fraud or irregularity are upheld. Both investigators within the team have just attended a training course to attain the CIPFA Accredited Counter Fraud Technician qualification.

7.6 Matches identified from the National Fraud Initiative (NFI) 2016 Exercise were received in January / February 2017 and some of the key matches identified are shown below in table 8.

**Table 8 – NFI Data Matches 2016**

NFI Data Set	Total Number of Matches	Number of Rec'd Matches	Comments		
			Processed	In Progress	No. of Error/Frauds and Value
Pensions to DWP Deceased Persons	849	<b>483</b>	849		1 (F) £16,641
Pensions to Payroll	2,123	<b>614</b>	2,065	58	-
Deferred Pensions to DWP Deceased	87	<b>76</b>	87	-	1 (E)
Housing Benefits to Student Loans	103	<b>29</b>	26	3	0
Housing Benefits Claimants to DWP Deceased	100	<b>60</b>	60	-	-



NFI Data Set	Total Number of Matches	Number of Rec'd Matches	Comments		
			Processed	In Progress	No. of Error/Frauds and Value
Council Tax Reduction Scheme to Housing Benefit	85	58	58	-	-
Personal Budgets to DWP Deceased	5	4	5	-	-
Blue Badge to DWP Deceased	43	42	43		35 (E)
Private Residential Cares Homes to DWP Deceased	47	21	39	-	-
Creditors Duplicate Records/Payments	1,441	154	220	2	3 (E) £70,766
<b>Totals</b>	<b>4,883</b>	<b>1,541</b>	<b>3,452</b>	<b>63</b>	<b>1 (F) £16,641 39 (E) £70,766</b>

- 7.7 The expectation from the Cabinet Office in relation to the above matches is that all "Recommended Matches" are investigated. Any requests for data from other local authorities are dealt with by Internal Audit in conjunction with service areas (where appropriate) to ensure compliance with the Data Protection Act 1998.
- 7.8 The majority of investigations have now been completed and closed and fraudulent transactions have been identified to the total of £16,641. Three duplicate payments were identified by Internal Audit, which have been confirmed and therefore recovery action is underway to recover the £70,766.
- 7.9 Data will be submitted again in October 2018.

## 8. NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES

- 8.1 NAFN held its AGM and Summit at The Great Hall, Kensington, London in October and the theme was 'The Changing World of Investigation'. It was an opportunity to celebrate 20 years since NAFN was launched. Overall, the event was the most successful held by NAFN attracting 249 attendees (up 76 on the previous year) representing 124 member organisations (up 35 on last year).
- 8.2 In October 2017 the new Investigatory Powers Commissioner Sir Adrian Fulford visited NAFN with a view to better understand the service. The Commissioner was very impressed with the systems NAFN have in place. He has also offered his full support to NAFN in developing its service delivery to local authorities and potentially a wider range of public authorities.
- 8.3 NAFN was subject to its annual inspection by the Investigatory Powers Commissioners Officer (IPCO) in December and is pleased to report the outcomes of another positive and successful inspection. The key findings were as follows:-
- Overall, IPCO confirmed that NAFN continue to act professionally and consistently acquiring communications data lawfully in a well organised and structured way.
  - NAFN officers were commended on implementing the previous inspection recommendations.

- NAFN was praised for its openness and transparency in recording their actions and cooperating with the inspection.

Annual audits have been conducted since 2010 and, pleasingly, this is the first time the inspectors have made no recommendations on actions or changes in working practice.

- 8.4 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 9 below.

**Table 9 – NAFN Membership**

Member Type	Dec 2017	Sept 2017	March 2017	Target	%	%Increase (Decrease) Since March 2017
Local Authorities	352	352	359	420	84	(2)
Housing Associations	55	53	47	N/A	-	17
DWP	1	1	1	N/A	-	-
Other Public Bodies	13	13	11	N/A	-	18
<b>Totals</b>	<b>421</b>	<b>419</b>	<b>418</b>	<b>-</b>	<b>-</b>	<b>0.7</b>

- 8.5 NAFN has introduced a webinar programme for members enabling members to take part in bite size online sessions to discover more about the services NAFN offer. Several events were held in November and December covering various services. These continue to be popular across the membership.
- 8.6 The number of requests received during 2017/18 as detailed in Table 10 below has increased overall by 6% from the same period in the previous year. Pleasingly, there has been a significant increase (51%) in requests for housing and council tax fraud. The Right to Buy Fraud service continues to grow with a massive £3 million saving identified to date.

**Table 10 – NAFN Requests Received**

Type of Request	2017/18 Apr-Dec	2016/17 Apr-Dec	% Increase (Decrease)
General Data Protection Requests	29,305	35,128	(17)
Driver and Vehicle Licensing Agency	12,592	11,538	9
Regulation of Investigatory Powers Act	607	667	(9)
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	9,143	6,054	51
Right to Buy Fraud	100	N/A	N/A
<b>Sub Total</b>	<b>51,747</b>	<b>53,387</b>	<b>(3)</b>
Type B (Online)	81,388	72,056	13
<b>Grand Total</b>	<b>133,135</b>	<b>125,443</b>	<b>6</b>

- 8.7 Regulation of Investigatory Powers Act (RIPA) requests continues to be below forecasted levels. The imminent introduction of the Investigatory Powers Act in 2018, which repeals RIPA, is expected to reverse this trend with access to additional data and more importantly the removal of the current judicial approval process, which significantly impacts on member resources.
- 8.8 The reduction in General Data Protection Requests is a consequence of the withdrawal of consented data products due to contracts not being cost effective. Also, there continues to be a noticeable switch by members to utilising the Type B (Online) requests, which have increased in line with expectations.

- 8.9 NAFN continues to work closely with the Local Government Association and Institute of Licensing and will shortly be rolling out a national register of taxi and private hire drivers who have had their licences refused or revoked, improving the safety of the travelling public. It is expected that the register will be operational in April 2018.

**9. LOCAL AUDIT AND ACCOUNTABILITY ACT 2014**

- 9.1 The Council has now received confirmation from Public Sector Audit Appointments Limited (PSAA) that Mazars LLP has been appointed as the external auditor for Tameside Metropolitan Borough Council from 2018/19, to audit the accounts of the Council for five years, for the accounts from 2018/19 to 2022/23.
- 9.2 The Council will now need to work with both Grant Thornton and Mazars to ensure a smooth transition takes place.

**10. RECOMMENDATIONS**

- 10.1 That Members note the report and the performance of the Service Unit for the period April to 2 February 2018.

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Activity Title	Purpose of Audit	Approved Plan	Revised Plan	Actual Days	Variance	Status	Level of Assurance
<b>ADULTS</b>							
Home Care	To provide assurance that effective internal controls are in place in respect of the provision of homecare.	15	0	0	0	Rescheduled to 2018/19 as Reablement was identified as a priority	
Reablement	To provide assurance that effective internal controls are in place in respect of the reablement service.	0	15	19	4	Draft Report Issued.	
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	10	17	7	Final Report Issued	Medium Level of Assurance
PAR - Planning and Commissioning - Strategic Management	Follow up work to ensure audit recommendations have been implemented.	3	3	3	0	Completed.	
PAR - Nursing and Residential Home Placements-Payments	Follow up work to ensure audit recommendations have been implemented.	1	1	0	-1	Suspended.	
PAR - Community Response and Telecare-Telehealth	Follow up work to ensure audit recommendations have been implemented.	3	3	4	1	Completed.	
Control Report - Missing Monies - Somerset House Learning Disabilities Home	As a result of monies going missing at a Learning Disabilities Home a Control Report was produced. The Control Report identified weaknesses in processes and made recommendations which, once implemented, will strengthen the control environment and reduce the risk of such an incident occurring in the future.	1	1	1	0	Completed.	
Planning & Control - Adult Services	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.	8	8	6	-2	Ongoing.	
Advice - Adult Services	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	9	9	8	-1	Ongoing.	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	9	9	0	-9	Days allocated as Post Audit Reviews are undertaken.	
	<b>Totals</b>	<b>59</b>	<b>59</b>	<b>58</b>	<b>-1</b>		

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CHILDREN'S						
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	15	7	-8	Quarter 4
Safeguarding	This review will examine the risks and the controls in place to mitigate those risks, in relation to Safeguarding Children.	15	15	19	4	Draft Report Issued
Childrens Homes	The financial procedures at the Homes will be reviewed.	20	0	0	0	Rescheduled to 2018/19
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	0	0	0	Rescheduled to 2018/19
Leaving Care	To provide assurance that internal controls are in place to ensure effective transition from the leaving care service.	15	15	25	10	Draft Report Issued
Emergency/Cash Payments	To provide assurance that internal controls are in place to ensure effective transition from the leaving care service.	10	0	0	0	Rescheduled to 2018/19
PAR - Procurement of Placements for Children	Follow up work to ensure audit recommendations have been implemented.	0	0	3	3	Reviews being conducted by Management
PAR - ISCAN Short Term Care - Jubilee Gardens	Follow up work to ensure audit recommendations have been implemented.	1	1	0	-1	Completed
Advice - Tapestry Sign Off	To ensure appropriate controls are in place prior to signing the system off.	0	0	1	1	Work in Progress
Control Report - Information Incidents	To comment on control issues highlighted as a result of information incidents.	0	0	2	2	Work in Progress
Troubled Families	To provide assurance that internal controls are in place to ensure effective transition from the leaving care service.	10	10	2	-8	Work in Progress
Planning & Control - Childrens		6	6	0	-6	Ongoing
Post Audit Reviews - Childrens		6	6	0	-6	Ongoing
Advice - Childrens		5	6	0	-6	Ongoing
Totals		117	74	59	-15	

## POPULATION HEALTH

Public Health - Contract Monitoring - Provision of a Drug and Alcohol Recovery Service	To review the process in place for monitoring the Drugs and Alcohol contract to ensure that it is robust and achieving the required outcomes	2	2	2	0	Final Report Issued.	Low Level of Assurance
Health & 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	15	0	-15	Quarter 4	
Ring-fenced Public Health Grant	Certification to confirm that expenditure has been incurred in accordance with the grant conditions.	5	5	6	1	Completed.	
PAR - Public Health - Contract Monitoring - Provision of a Drug and Alcohol Recovery Service	Follow up work to ensure audit recommendations have been implemented.	2	2	2	0	Work in Progress.	
Post Audit Review - Information Governance	Follow up work to ensure audit recommendations have been implemented.	1	1	1	0	Completed.	
Planning & Control		3	3	2	-1	Ongoing.	
Advice		1	1	0	-1	Ongoing.	
	<b>Totals</b>	<b>29</b>	<b>29</b>	<b>12</b>	<b>-17</b>		

## PLACES

Section 106 Agreements, Developer Levy		1	1	2	1	Final Report Issued	Low Level of Assurance
Hattersley Collaboration Agreement	To undertake an audit of the Final Account	1	1	2	1	Completed	
Hattersley Collaboration Agreement	To undertake an audit of the Final Account	6	6	8	2	Draft Report Issued	
Estate Management	To provide assurance that the Council's Estate is being effectively managed and income is being maximised.	15	15	15	0	Draft Report Issued	
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	0	0	0	Rescheduled to 2018/19	
Post Audit Review - Inspired Spaces - Monitoring of the Facilities Management Contract	Follow up work to ensure audit recommendations have been implemented.	0	0	7	7	Suspended	
Inspired Spaces - Monitoring Of The Catering Contract	To provide assurance that effective contract monitoring processes are in place in order to ensure compliance.	15	0	0	0	Suspended	
Post Audit Review- Section 106 Agreements, Developer Levy and Community Infrastructure Levy	Follow up work to ensure audit recommendations have been implemented.	3	3	0	-3	Work in Progress	
Planning & Control		4	4	2	-2	Ongoing.	
Advice & Support		2	2	1	-1	Ongoing.	
Post Audit Reviews		0	0	0	0	Allocated	
	<b>Totals</b>	<b>62</b>	<b>32</b>	<b>36</b>	<b>3</b>		

OPERATIONS AND NEIGHBOURHOODS							
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	15	23	8	Draft Report Issued	
Health and Safety Consultancy Review	To provide assurance that health and safety is being effectively managed throughout the Council and ensure compliance with legislation.	3	3	3	0	Consultancy Report Issued.	
Audit of Final Accounts	To provide assurance that the figures contained within the final accounts are correct.	5	0	0	0	Rescheduled to 2018/19	
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	0	0	0	Rescheduled to 2018/19	
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	0	1	1	Rescheduled to 2018/19	
Provision of the Integrated Transport Service	To provide assurance that effective internal controls are in place to ensure that the waste disposal levy has been correctly determined.	15	15	5	-10	Work in Progress	
Local Authority Bus Subsidy Grant	To provide assurance that effective internal controls are in place to ensure that the waste disposal levy has been correctly determined.	1	1	2	1	Completed	
PAR - Stores & Stock Control	Follow up work to ensure audit recommendations have been implemented.	1	1	1	0	Completed	
PAR - Markets Operations	Follow up work to ensure audit recommendations have been implemented.	2	2	1	-1	Completed	
PAR - Car Parking and Enforcement Income	Follow up work to ensure audit recommendations have been implemented.	2	2	4	2	Completed	
Planning & Control		7	7	3	-4	Ongoing	
Advice		12	12	9	-3	Ongoing	
Post Audit Reviews		6	6	0	-6	Days allocated as Post Audit Reviews are undertaken	
<b>Totals</b>		<b>98</b>	<b>64</b>	<b>50</b>	<b>-14</b>		
GOVERNANCE							
NNDR Full System	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	15	18	3	Work in Progress	



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	0	0	0	Rescheduled to 2018/19	
Council Tax Full System	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	15	22	7	Work in Progress	
Debtors	To provide assurance that all invoices are correctly raised and income is promptly collected and appropriately accounted for.	10	0	0	0	Rescheduled to 2018/19	
PAR - Direct Payments	Follow up work to ensure audit recommendations have been implemented.	3	3	2	-1	Work in Progress	
UK Mail - System Sign Off	Transfer of system to UK Mail. Internal Audit will carry out check to sign it off prior to going live.	5	5	7	2	Work in Progress	
Planning & Control		6	6	1	-5	Ongoing	
Advice		10	10	15	5	Ongoing	
Post Audit Reviews		4	4	0	-4	Days allocated as Post Audit Reviews are undertaken	
Payroll Whole System	To review the controls in place for the payment of salaries, additional payments, and the deduction of tax, other statutory deductions and pension contributions.	7	7	10	3	Final Report Issued	High Level of Assurance
DBS Procedures	Review of the processes in operation across the Council, to see if the appropriate controls are in place, and whether there are any improvements that can be made.	3	3	3	0	Final Report Issued	Medium Level of Assurance
Payroll - External Audit Checks	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	5	0	-5	Audit not required in 2017/18	
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	0	0	0	Rescheduled to 2018/19	
Creditors Full System	To provide assurance that all invoices and payment requisitions are paid correctly, on a timely basis, and expenditure is appropriately accounted for.	15	15	20	5	Draft Report Issued	

Registrars	An allocation is included in the Plan each year to review the records and income in respect of individual Registrars, on cyclical basis.	6	6	5	-1	Draft Report Issued	
Members Allowances - Publication	To provide data assurance in relation to the publication of members allowances.	2	2	3	1	Completed	
Car Allowances Annual Review	To undertake checks on the annual review of Car Allowances for correctness.	0	0	1	1	Completed	
Post Audit Review - Creditors	Follow up work to ensure audit recommendations have been implemented.	0	0	1	1	Reviews being undertaken by Management	
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	3	4	1	Completed	
Control Report - Information Incidents	To comment on control issues highlighted as a result of Information Incidents	0	0	3	3	Completed	
Agresso Upgrade	Signing off the upgrade of the General Ledger system.	0	0	0	0	Work in Progress	
Planning and Control		6	6	0	-6	Ongoing	
Advice and Support		3	3	15	12	Ongoing	
Post Audit Reviews		8	8	0	-8	Days allocated as Post Audit Reviews are needed	
	<b>Totals</b>	<b>156</b>	<b>116</b>	<b>131</b>	<b>15</b>		
<b>FINANCE</b>							
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	5	0	-5	Work in Progress	
Review of Financial Regulations	To review and make recommendations to update Financial Regulations.	1	1	0	-1	Quarter 4	
VAT	To provide assurance that VAT is being appropriately accounted for.	10	10	12	2	Draft Report Issued	
Monitoring of Capital Programme	To provide assurance that effective monitoring arrangements are in place in respect of capital expenditure.	2	2	4	2	Final Report Issued	Medium Level of Assurance
Treasury Management	To provide assurance that effective internal controls are in place in respect of the provision of the Treasury Management function.	15	15	10	-5	Work in Progress	

PAR - Better Care Fund	Follow up work to ensure audit recommendations have been implemented.	1	1	2	1	Work in Progress	
PAR - Cashiers	Follow up work to ensure audit recommendations have been implemented.	2	2	2	0	Completed	
PAR - Review of Financial Systems - General Ledger & Budgetary Control	Follow up work to ensure audit recommendations have been implemented.	0	0	4	4	Work in Progress.	
Planning & Control		5	5	1	-4	Ongoing	
Advice and Support		12	12	2	-10	Ongoing	
Post Audit Reviews		9	9	0	-9	Days allocated as Post Audit Reviews are undertaken	
Network Security (incl 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	0	0	0	Rescheduled to 2018/19	
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	3	3	0	Work in Progress	
Device Management	To provide assurance that effective internal controls are in place in respect of Device Management.	3	3	7	4	Final Report Issued	Medium Level of Assurance
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	5	0	-5	Days to be allocated to support other audits where ICT advice/support needed	
Audit Needs Assessment	To undertake a risk assessment to determine the ICT Audits for future planning years	3	3	0	-3	Work in Progress	
Planning and Control		4	4	0	-4	Ongoing	
Advice and Support		7	7	1	-6	Ongoing	
Post Audit Reviews		3	3	0	-3	Days allocated as Post Audit Reviews are needed	
<b>Totals</b>		<b>100</b>	<b>90</b>	<b>51</b>	<b>-39</b>		

## LEARNING

Poplar St Primary Nursery		6	6	6	0	Final Report Issued	High Level of Assurance
Arlies Primary & Nursery		6	6	6	0	Final Report Issued	High Level of Assurance
Millbrook Prim & Nursery		6	6	6	0	Final Report Issued	High Level of Assurance
Aldwyn Primary		6	6	6	0	Draft Report Issued	
St. Anne's Primary, Denton		6	6	0	-6	Quarter 4	
Dane Bank Primary & Nursery		0	0	7	7	Final Report Issued	Medium Level of Assurance
St Pauls R C Primary & Nursery Hyde		6	6	6	0	Final Report Issued	High Level of Assurance
Ravensfield Primary		6	6	0	-6	Quarter 4	
Holy Trinity C E Gee Cross		6	6	0	-6	Quarter 4	
St Johns C E Primary		6	6	0	-6	Quarter 4	
St Marys R C Primary Denton		6	6	6	0	Final Report Issued	High Level of Assurance
Holy Trinity C E Primary		6	6	0	-6	Quarter 4	

St Marys C E Infant & Nursery Droylsden	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	6	0	-6	Quarter 4	
St Marys R C Primary & Nursery, Dukinfield		6	6	6	0	Draft Report Issued	
St Anne's R C Primary & Nursery, Audenshaw		6	6	9	3	Draft Report Issued	
Samuel Laycock School		6	6	0	-6	Quarter 4	
St. Georges C E Primary Mossley		6	6	7	1	Final Report Issued	Medium Level of Assurance
Alder Community High School		10	10	11	1	Draft Report Issued	
Thomas Ashton Primary & Secondary Centres		10	10	9	-1	Work in Progress	
St Raphael's R C Primary		2	2	1	-1	Final Report Issued	Medium Level of Assurance
Canon Burrows C E Primary		2	2	3	1	Final Report Issued	Low Level of Assurance
Livingstone Primary		1	1	2	1	Final Report Issued	High Level of Assurance
Hyde Community College		1	1	3	2	Final Report Issued	Low Level of Assurance
Milton St Johns C E Primary		1	1	2	1	Final Report Issued	High Level of Assurance
St Peters RC Primary & Nursery Stalybridge		1	1	2	1	Final Report Issued	High Level of Assurance
St Stephens R C Primary Droylsden - ICT Consultancy Review	To provide assurance on the ICT provision with the school	0	0	3	3	Review Completed	
Wild Bank Primary and Nursery - Control Report	To improve the controls in the school	0	0	7	7	Review Completed	
PAR - Music Service Control Report	Follow up work to ensure audit recommendations have been implemented	0	0	3	3	Completed	
ICT Security at Schools	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	20	15	-5	Work in Progress	
Schools Cash Flow-Deficit Recovery Plans	Review of the procedures for monitoring the cash deficits at schools and the risks to the Council with the Academisation programme.	1	1	3	2	Final Report Issued	Medium Level of Assurance
Pupil Referral Service	Review of the controls in place to mitigate the risks within the Pupil referral Service.	2	2	3	1	Final Report Issued	Low Level of Assurance
Planning and Control		9	9	0	-9	Ongoing	
Advice		15	15	6	-9	Ongoing	
Schools Newsletter		0	0	2	2	Ongoing	
Post Audit Reviews		6	6	0	-6	Days to be allocated as and when required	
PAR - Russell Scott Primary	Follow up work to ensure audit recommendations have been	2	2	3	1	Follow up work in progress	
PAR - Denton Community College		2	2	2	0	Follow up work in progress	
PAR - Pinfold Primary & Nursery		1	1	1	0	Completed	
PAR - Canon Johnson C E Primary		1	1	1	0	Completed	
PAR - Hurst Knoll C E Primary		1	1	1	0	Completed	
PAR - Greenfield Primary & Nursery		1	1	1	0	Completed	
PAR - St James R C Primary & Nursery Hattersley Hyde		1	1	1	0	Completed	
PAR - Early Years Funding		3	3	4	1	Completed	
PAR - Greswell Primary & Nursery		2	2	1	-1	Completed	

PAR - Our Lady Of Mount Carmel	implemented.	3	3	3	0	Completed	
PAR - Milton St Johns C E Primary		1	1	0	-1	Work in Progress	
PAR - Canon Burrows C E Primary		1	1	2	1	Work in Progress	
PAR - Hyde Community College		2	2	0	-2	Work in Progress	
PAR - St Peters RC Primary and Nursery Stalybridge		1	1	1	0	Work in Progress	
PAR - Livingstone Primary		1	1	1	0	Work in Progress	
PAR - Pupil Referral Service		3	3	1	-2	Work in Progress	
PAR - St Raphael's R C Primary		1	1	1	0	Work in Progress	
Mossley Hollins High - Grant Claim - Assurance Work		2	2	2	0	Completed	
	<b>Totals</b>	<b>205</b>	<b>205</b>	<b>165</b>	<b>-40</b>		

#### CROSSCUTTING

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	0	0	0	Rescheduled to 2018/19	
Contingency for Greater Manchester Combined Authority-Devolution Assurance and Joint Working	Work programme to be determined by the Greater Manchester Audit Executive Group.	20	20	4	-16	Quarter 4	
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	0	0	0	Rescheduled to 2018/19	
Planning and Control		1	1	0	-1	Ongoing	
Post Audit Reviews		2	2	0	-2	Days allocated as Post Audit Reviews are needed	
	<b>Totals</b>	<b>53</b>	<b>23</b>	<b>4</b>	<b>-19</b>		

#### GREATER MANCHESTER PENSION FUND

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	15	0	-15	Quarter 4	
Treasury Management	A review will be carried out alongside a review for Tameside on the Treasury Management system/process.	10	10	8	-2	Work in Progress	
Benchmarking/KPI's	A review will take place of the Pension Fund's Benchmarks and Key Performance Indicators.	10	0	0	0	Rescheduled to 2018/19	

BACS	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	3	3	0	Work in Progress	
First Bus Transfer to GMPF	Internal Audit will carry out some data verification checks on the transfer of the data from the ceding funds, into GMPF.	20	20	24	4	Completed	
First Bus Asset Transfers	To provide assurance that the asset transfer process to appropriately controlled.	0	5	0	-5	Quarter 4	
Private Equity	A review will be carried out on the system/process followed for the Private Equity Investments.	15	15	15	0	Final Report Issued	High Level of Assurance
Pooling of Investments	An allocation has been included in the Plan to review the Governance arrangements in relation to Pooling.	10	0	0	0	Rescheduled to 2018/19	
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	5	11	6	Work in Progress	
Local Investments Impact Portfolio	A review will be carried out on the system/process followed for the Local Investments Impact Portfolio.	15	15	1	-14	Work in Progress	
Calculation and Payment of Benefits	Systems for the calculation of benefits will be examined, and followed through to the payment system.	15	15	4	-11	Work in Progress	
Guaranteed Minimum Pensions (GMP)	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	5	8	3	Work in Progress	
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	47	25	-22	Days allocated as visits arranged.	Tameside visit at Draft Report Stage, Trafford and Salford and Manchester booked for Q4.
Payroll - Transfer to Java	To provide assurance that the transfer is managed effectively and data transfers are controlled/reconciled.	0	8	7	-1	Completed	

Agresso Upgrade	To sign off the Agresso upgrade prior to the system going live	0	10	1	-9	Work in Progress	
Altair Administration to Payroll Upgrade	To sign off the Altair Administration to Payroll upgrade prior to going live.	5	5	0	-5	Quarter 4	
ICT Device Management	To provide assurance that effective internal controls are in place in respect of Device Management.	0	10	0	-10	Work in Progress	
Review of Compliance with TPR Code of Practice 14	To provide assurance that the Pension Fund is complying with the TPR Code of Practice 14.	0	10	3	-7	Work in Progress	
Days required to complete 2016/17 work	Projects in progress at the year end to be completed in 2017/18	52	51	78	27	Completed	
Risk Management	A review is to take place of the Risk Management procedures in place within the Pension Fund.	5	0				
Planning and Control		15	15	13	-2	Ongoing	
Advice and Support		20	20	14	-6	Ongoing	
Post Audit Reviews		1	2	0	-2	Days allocated as Post Audit Reviews are needed	
PAR - Debtors	Follow up work to ensure audit recommendations have been implemented.	1	1	0	-1	Work in Progress	
PAR - Review of the Management of Assets by La Salle Asset Management		1	1	0	-1	Work in Progress	
PAR - Visits to Contributing Bodies - Manchester College		1	1	1	0	Work in Progress	
PAR - Review of Key Financial Systems - Creditors		1	1	1	0	Completed	
PAR - Visits to Contributing Bodies - New Chapter Housing Trust		1	1	1	0	Completed	
PAR - Visit To Contributing Body - Rochdale Metropolitan Borough Council		1	1	0	-1	Work in Progress	
PAR - Visits to Contributing Bodies - Manchester Airport		2	2	4	2	Completed	
PAR - Visits to Contributing Bodies - Stockport College		3	3	3	0	Completed	
PAR - Visit To Contributing Body - Bolton Borough Council		1	1	1	0	Work in Progress	
PAR - Pension Benefits Payable		1	1	0	-1	Work in Progress	
PAR - Visits to Contributing Bodies - Police Authority		1	1	0	-1	Work in Progress	
PAR - Visits to Contributing Bodies - Transport for Greater Manchester		1	1	1	0	Completed	
	<b>Totals</b>	<b>300</b>	<b>300</b>	<b>228</b>	<b>-72</b>		
<b>FRAUD WORK/IRREGULARITY INVESTIGATIONS</b>		<b>487</b>	<b>487</b>	<b>435</b>	<b>-52</b>	Ongoing	
<b>OVERALL TOTALS</b>		<b>1,666</b>	<b>1,479</b>	<b>1,229</b>	<b>-250</b>		

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## Internal Audit Services

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## Internal Audit Charter

### February 2018

## **Background**

The purpose of this Internal Audit Charter is to define internal audit's purpose, authority and responsibility. It establishes internal audit's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of internal audit activities.

This Charter also covers the arrangements for the appointment of the Head of Risk Management and Audit (Chief Internal Auditor) and internal audit staff, and identifies the nature of professionalism, skills and experience required.

## **Definition**

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.

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 and Risk Management Committee which has delegated responsibility for overseeing the work of internal audit. Senior management is defined as the Chief Executive and members of the Council's Senior Leadership Team.

## **Standards**

The internal audit function is required to comply with Public Sector Internal Audit Standards (PSIAS). The Relevant Internal Audit Standard Setters, which includes the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) in respect of local government, have adopted the common set of PSIAS from 1 April 2013. The PSIAS encompass all of the mandatory elements of the Chartered Institute of Internal Auditors International Professional Practices Framework (IPPF). Compliance with the Standards is subject to an ongoing quality assurance and improvement programme (QAIP) developed and introduced by Internal Audit to ensure continuous compliance with the Standards.

## **Responsibility and Objectives of Internal Audit**

Internal audit is responsible for establishing procedures and applying the required resources to ensure that the service conforms with the Definition of Internal Auditing and the Standards. The members of the internal audit team must demonstrate conformance with the Code of Ethics and the Standards.

The Head of Risk Management and Audit (Chief Internal Auditor) must deliver an annual internal audit opinion and report that it can be used by the organisation to inform its annual governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is the 'assurance role' for internal audit.

Internal audit may also provide an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of the organisation. The aim of the consultancy service is to help line management improve the Council's risk management, governance and internal control. This is the 'Consultancy' role for internal audit and contributes towards the overall opinion.

## **Responsibilities of the Council**

The Council is responsible for ensuring that internal audit is provided with all necessary assistance and support to ensure that it meets the required standards.

The Section 151 Officer will make appropriate arrangements for the provision of an Internal Audit Service. This will include the formal adoption of this Charter by the Audit Panel and the adoption of corresponding elements in the Financial Regulations.

The Council will ensure it has taken all necessary steps to provide internal audit with information on its objectives, risks, and controls to allow the proper execution of the audit strategy and adherence to internal audit standards. This will include notifying internal audit of any significant changes in key control systems which may affect the internal audit plan.

The Council, through the Chief Executive, Section 151 Officer and other relevant managers, will respond promptly to audit plans, reports and recommendations.

Responsibility for monitoring and ensuring the implementation of agreed recommendations rests with the Council.

## **Independence of Internal Audit**

The internal audit activity must be independent and internal auditors must be objective in performing their work. The Head of Risk Management and Audit (Chief Internal Auditor) must confirm, at least annually, the organisational independence of the internal audit activity. Internal audit shall have no operational responsibilities within the line management structure.

## **Head of Risk Management and Audit (Chief Internal Auditor)**

The Head of Risk Management and Audit (Chief Internal Auditor) will be appointed in accordance with the Council's Recruitment and Selection Policy and will have sufficient skill, experience and competencies to work with the Single Leadership Team and the Audit Panel and influence the risk management, governance and internal control of the Council. The Head of Risk Management and Audit (Chief Internal Auditor) is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Head of Risk Management and Audit (Chief Internal Auditor) will specify any other professional skills that may be needed by the Internal Audit Team. The Head of Risk Management and Audit (Chief Internal Auditor) will hold a full, professional qualification, defined as CCAB, CMLIA or equivalent professional membership and adhere to professional values and the Code of Ethics.

## **Relationships**

The Head of Risk Management and Audit (Chief Internal Auditor) reports directly to the Director of Finance (Section 151 Officer). The Head of Risk Management and Audit (Chief Internal Auditor), or an appropriate representative of the internal audit team, shall attend meetings of the Audit Panel and the Greater Manchester Pension Fund Local Board (Local Board) unless, exceptionally, the Panel/Board decides that they should be excluded from either the whole meeting or for particular agenda items.

The Head of Risk Management and Audit (Chief Internal Auditor) shall have an independent right of access to the Chair of the Audit Panel and Local Board. In exceptional circumstances, where normal reporting channels may be seen to impinge on the objectivity of the audit, the Head of Risk Management and Audit (Chief Internal Auditor) may report directly to the Chair of the Audit Panel or Local Board.

Internal Audit and External Audit will agree a protocol for co-operation which will make optimum use of the available audit resources.

### **Scope of Internal Audit**

The Head of Risk Management and Audit (Chief Internal Auditor) should develop and maintain a strategy for providing the Chief Executive and the Section 151 Officer economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the Council's risk management, governance and internal control arrangements. The internal audit plan will be risk based, prepared in consultation with Directorate Management Teams and Executive Members and be presented to the Audit Panel and Local Board for approval. The Head of Risk Management and Audit's (Chief Internal Auditor's) opinions are a key element of the framework of assurance the Chief Executive and the Leader of the Council need to inform the completion of the Annual Governance Statement (AGS).

### **Opinion Work**

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach that is aligned with all of the strategies, objectives and risks to the Council.

### **Governance**

Internal audit must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- 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
- co-ordinating the activities of and communicating information among the Audit Panel and Local Board, external and internal auditors and management.

### **Risk Management**

Internal audit must evaluate the effectiveness and contribute to the improvement of risk management processes by assessing:

- organisational objectives support and align with the organisation's mission;
- significant risks are identified and assessed;
- appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

### **Internal Control**

Internal audit must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. 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:

- achievement of the organisation's strategic objectives;
- reliability and integrity of financial and operational information;
- economical, effective and efficient use of resources;

- effectiveness and efficiency of operations and programmes;
- safeguarding of the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity corruption or bribery; and
- compliance with laws, regulations, policies, procedures and contracts.

Internal Audit utilise a dynamic risk based planning system designed to proactively identify audits to address any emerging and developing risks on an ongoing and 'future focussed' basis.

Internal audit will promote and contribute to continuous ongoing improvements in systems across the Council by identifying and recommending best practice actions following audit work completed.

Where key systems are being operated on behalf of the Council or where key partnerships are in place the Head of Risk Management and Audit (Chief Internal Auditor) must ensure arrangements are in place to form an opinion on their effectiveness.

Where the Council operates systems on behalf of other bodies, the Head of Risk Management and Audit (Chief Internal Auditor) must be consulted on the audit arrangements proposed or in place.

It is management's responsibility to ensure the provision for relevant audit rights of access in any contract or Service Level Agreement the Council enters into, either as provider or commissioner of the service.

### Non – Opinion Work

Internal audit may provide, at the request of management, a consultancy service which evaluates the policies, procedures and operations put in place by management. A specific contingency should be made in the internal audit plan to allow for management requests and consultancy work. The Head of Risk Management and Audit (Chief Internal Auditor) must consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the internal audit plan. In the event that the proposed work may jeopardise the delivery of the internal audit opinion, the Head of Risk Management and Audit (Chief Internal Auditor) must advise the Section 151 Officer before commencing the work. The Head of Risk Management and Audit (Chief Internal Auditor) must consider how the consultancy work contributes towards the overall opinion.

### Fraud

Managing the risk of fraud is the responsibility of line management; however the Section 151 Officer retains specific responsibilities in relation to the detection and investigation of fraud. The Internal Audit Service provides a counter fraud function that includes undertaking work of a proactive nature, conducting substantive audits in key risk areas as well undertaking some reactive work of an investigatory nature involving suspected fraud. In addition, the service is responsible for maintaining effective counter fraud policies and procedures for the Council including the Counter Fraud and Corruption, Money Laundering and Bribery and Corruption policies. Internal Audit should be notified of all suspected or detected fraud, corruption or impropriety, to inform their opinion on the control environment and their audit plan.

### Reporting

The Head of Risk Management and Audit (Chief Internal Auditor) will agree reporting arrangements with the Chief Executive and the Section 151 Officer which will include procedures for the:

- distribution and timing of draft audit reports;
- Council's responsibilities in respect of responding to draft audit reports;

- distribution of finalised audit reports;
- follow up by internal audit of agreed recommendations; and
- escalation of recommendations where management responses are judged inadequate in relation to the identified risks.

The Head of Risk Management and Audit (Chief Internal Auditor) will present a formal report annually to the Chief Executive, Section 151 Officer and the Audit Panel and Local Board giving an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management, and internal control. This report will conform to the PSIAS for the Head of Risk Management and Audit (Chief Internal Auditor), Head of Internal Audit Opinion statement, and will be timed to support the production of the Council's Annual Governance Statement. Reports of progress against the planned work will be presented to the Audit Panel and Local Board on a regular basis during the year.

### **Internal Audit Access Rights**

Designated auditors are entitled, without necessarily giving prior notice, to require and receive from the Council and any associated or contracted bodies including any shared service providers or trading companies:

- access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- access at all reasonable times to any land, premises, officer and member of the Council;
- the production of any cash, stores or other property of the Council under an officer's and member's control; and
- explanations concerning any matter under investigation.

### **Internal Audit Resources**

If the Head of Risk Management and Audit (Chief Internal Auditor) or the Audit Panel and Local Board consider that the level of audit resources or the terms of reference in any way limit the scope of internal audit, or prejudice the ability of internal audit to deliver a service consistent with the Definition of Internal Auditing and the Standards, they should advise the Chief Executive and the Section 151 Officer accordingly.