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AUDIT PANEL

Day: Tuesday
Date: 31 May 2016
Time: 2.00 pm
Place: George Hatton Hall - Dukinfield Town Hall

Item No.	AGENDA	Page No
1.	APOLOGIES FOR ABSENCE To receive any apologies for the meeting from Members of the Panel.	
2.	DECLARATIONS OF INTEREST To receive any declarations of interest from Members of the Panel.	
3.	MINUTES The Minutes of the meeting of the Audit Panel held on 1 March 2016 to be signed by the Chair as a correct record.	1 - 4
4.	ACCOUNTING POLICIES AND ESTIMATES FOR 2015/16 ACCOUNTS To consider a report of the Assistant Executive Director (Finance).	5 - 26
5.	AUDIT PLAN To consider a report of the Assistant Executive Director (Finance).	27 - 28
a)	TMBC AUDIT PLAN	29 - 52
b)	GMPF AUDIT PLAN	53 - 70
6.	AUDIT FEE LETTER To consider a report of the Assistant Executive Director (Finance).	71 - 78
7.	REVIEW OF INTERNAL AUDIT 2015/16 To consider a report of the Assistant Executive Director (Finance).	79 - 108
8.	RISK MANAGEMENT AND AUDIT SERVICES - ANNUAL REPORT 2015/16 To consider a report of the Head of Risk Management and Audit Services.	109 - 122
9.	ANNUAL GOVERNANCE REPORT 2015/16 To consider a report of the Assistant Executive Director (Finance).	123 - 186
10.	RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2016/17 To consider a report of the Assistant Executive Director (Finance).	187 - 224

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

Item No.	AGENDA	Page No
11.	RISK MANAGEMENT To consider a report of the Assistant Executive Director (Finance).	225 - 250
12.	GMPF STATEMENT OF ACCOUNTS 2014-2015 GOVERNANCE ARRANGEMENTS To consider a report of the Assistant Director of Pensions (Local Investments and Property) and the Assistant Executive Director (Finance).	251 - 254
13.	URGENT ITEMS To consider any additional items the Chair is of the opinion shall be dealt with as a matter of urgency.	

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

AUDIT PANEL

Tuesday, 1 March 2016

Commenced: 2.00 pm

Terminated: 2.40 pm

Present: Councillors Ricci (Chair), Bailey, Fairfoull, J Fitzpatrick and Welsh

Apologies for Absence: Councillors Buckley and Peet

14. DECLARATIONS OF INTEREST

There were no declarations of interest.

15. MINUTES

The Minutes of the proceedings of the meeting of the Audit Panel held on 3 November 2015 were agreed and signed as a correct record.

16. GRANT CERTIFICATION REPORT

The Assistant Executive Director (Finance) submitted a report, which set out details of the Grant Certification Report for 2014-15.

The report gave details of one certified claim (Housing Benefit and Council Tax Benefit Subsidy), for the financial year 2014-15 relating to expenditure of £91.2m.

The report summarised Grant Thornton's overall assessment of the Council's management arrangements in respect of the certification process. The key message from the certification work was that, overall, the Council's arrangements had continued to improve in most areas in 2014-15.

Details of the Certification fees were also appended to the report.

RESOLVED:

That the report be noted.

17. PROGRESS REPORT ON RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES APRIL TO JANUARY 2016

Consideration was given to a report of the Assistant Executive Director (Finance) and Head of Risk Management and Audit Services detailing the work undertaken by the Risk Management and Internal Audit Service between April 2015 and January 2016.

With regard to Information Governance, resources had been directed towards training to ensure that all staff had completed the on-line 'Data Protection at Work' tutorial. A further tutorial had recently been launched with a completion date of 31 March 2016. Work had also been undertaken to collate information required by the Council's insurers in relation to the annual renewal of insurance policies.

Reference was made to the Internal Audit Plan, which had been approved in May 2015 and covered the period April 2015 to March 2016. It was reported that 82% of the audit plan had been achieved so far. During the four month period to the end of January 2016, 7 final reports were issued in

relation to system based audits and 8 draft reports had been issued for management review and responses.

It was reported that 9 School Audits had been completed with 6 draft reports issued to Schools for management review and responses. The Panel were provided with details of work undertaken which did not generate an audit opinion.

Post Audit Reviews were undertaken approximately six months after the final report had been issued, however, where a low level of assurance was issued the post audit review was scheduled for three months to ensure that the issues identified were addressed. 11 Post Audit Reviews had been completed during the period taking the total for the year to 36.

The review of Internal Audit reported to the Audit Panel in May 2015 against the Public Sector Internal Auditing Standards highlighted that the service was fully compliant with the requirements of the standard.

Standard 1312 required that an external assessment must be carried out at least once every five years, by a qualified, independent assessor or assessment team from outside the organisation. The peer review process developed by North West Chief Audit Executives' Group had been piloted and the panel were in the process of drafting their report. A second pilot was due to be undertaken by the end of March 2016 followed by a rolling programme of reviews to be compiled for the remaining North West Authorities.

Work undertaken in the following areas was detailed as follows:

- Annual Governance Statement;
- Irregularities/Counter Fraud Work; and
- NAFN Data and Intelligence Services.

RESOLVED:

That the report and performance of the Service Unit for the period April 2015 to January 2016 be noted.

18. NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES

The Assistant Executive Director (Finance) submitted a report updating Members with an overview of the services provided by the National Anti-Fraud Network (NAFN) Data and Intelligence Service. The service gathered data and intelligence used for supporting counter fraud and crime nationally.

The background of the service was outlined to Members and it was confirmed that Tameside was now the sole host of operations following the closure of the Brighton office in September 2015. The management of NAFN had been entrusted to an Officer Executive Board comprised of a maximum of 12 representatives. The Board provided strategic direction and operational management of the service.

An updated Constitution and Governance Handbook, drafted in consultation with Tameside Legal Services, was approved at the annual general meeting held in November 2015. The annual budget for 2016-17 had been set and the expenditure limit to deliver the key activities and objectives and the various income streams from membership fees and grants were detailed. A strategic financial reserve was in place to meet any costs associated with the dissolution of the service.

The organisational structure of the team was outlined and it was confirmed that membership was open to all Local Authorities as well as government agencies, housing associations and other appropriate organisations.

Three risks had been identified for Tameside, which included financial viability, reputational and service delivery to members. The risks and mitigations of these three areas were outlined to the Panel.

RESOLVED:

That the report be noted.

19. LOCAL AUDIT AND ACCOUNTABILITY ACT 2014 - CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS

The Assistant Executive Director (Finance) submitted a report summarising the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017-18 audits.

It was reported that the current transitional arrangements would come to an end on 31 March 2018 prior to which the Council would be able to move to the local appointment of an external auditor. The Council had until December 2017 to make an appointment and a decision on the preferred route was needed by spring 2017.

The three options open to the Council under the Local Audit and Accountability Act 2014 were: to make a stand-alone appointment, set up a joint auditor panel/local joint procurement arrangements and opt-in to a sector led body. The advantages and disadvantages of the three options were outlined to the Panel.

RESOLVED:

- (i) **That the report be noted; and**
- (ii) **That a further report be brought to a future Panel meeting on the preferred approach including details of any costs to be included in future year's budgets.**

20. CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY - FRAUD AND CORRUPTION TRACKER

Consideration was given to a report of the Assistant Executive Director (Finance), which advised Members of the report produced by the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre – Fraud and Corruption Tracker 2015. The report was divided into several sections:-

- Introduction
- Reported Types of Fraud
- Whistleblowing
- Prosecutions
- Counter Fraud and Corruption Resources
- Counter Fraud and Anti-Corruption Plan
- Fraud Cases in London Local Authorities
- Fighting Fraud Locally
- Emerging Threats

The types of fraud, number of cases, values and percentages were highlighted to the Panel, as per table 2 of the report. It was reported that Tameside had recovered £631,000 of overpaid Housing Benefit.

RESOLVED:

That the report be noted.

21. ASHTON CENTRAL MOSQUE (FORMERLY MARKAZI JAMIA MOSQUE) UPDATE

The Assistant Executive Director, Environmental Services, submitted a report highlighting the outstanding issues as part of the relocation agreements and supplemental agreement between Tameside and the Trustees of Ashton Central Mosque.

Members were notified that the transfer of the Mosque to the Trustees had been completed on 1 March 2016.

RESOLVED:

That the report and the completion date of the land transfer be noted.


22. URGENT ITEMS

The Chair reported that there were no urgent items for consideration at the meeting.

CHAIR

Agenda Item 4.

Report To:	AUDIT PANEL
Date:	31 May 2016
Reporting Officer:	Ian Duncan, Assistant Executive Director (Finance)
Subject:	ACCOUNTING POLICIES AND ESTIMATES FOR 2015/16 ACCOUNTS
Report Summary:	<p>As part of the preparation for the closure of the accounts, it is timely to review with the Panel:</p> <ul style="list-style-type: none">• the proposed accounting policies• the critical judgements made in applying the accounting policies• assumptions made about the future and other major sources of estimated uncertainty within the accounts
Recommendations:	The Panel is requested to agree the recommendations included in section 5 of the report, subject to discussion.
Links to Community Strategy:	The community strategy helps determine the priorities for Council spending, which will be reported using the policies referred to in this report.
Policy Implications:	There are no wider policy implications arising from this report.
Financial Implications:	There are no direct cost 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, Ian Duncan, Assistant Executive Director (Finance)

 Telephone: 0161 342 3864

 e-mail: ian.duncan@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. ACCOUNTING POLICIES – UPDATE TO THE 2015/16 CODE OF PRACTICE

- 2.1 Officers have assessed the accounting policies that are deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2015/16. 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 With regard to the policies in respect of 2015/16 the key change has been the adoption of IFRS13 Fair Value Measurement and the introduction of the concept of current value. The Code requires the change that non-operational property, plant and equipment classified as surplus assets are measured at fair value. Local authorities are required to apply the fair value measurements and additional disclosures from 1 April 2015; restatement of prior year transactions is not required.
- 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 2015/16 and can be seen at **Appendix 1** to this report.
- 2.4 As the Statement of Accounts for 2015/16 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 2015/16 Statement of Accounts for consideration by the Audit Panel. Given that the policies adopted have a significant influence upon the financial statements it is important that these are given appropriate consideration at the outset of the preparation of the Statement of Accounts. This helps ensure that they are applied consistently in the preparation of the accounts.

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

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

Accounting for schools – Balance Sheet recognition of schools

- 4.2 The Council recognises schools in line with the provisions of ‘the Code’, consequently schools are recognised on the Balance Sheet only if the future economic benefits or service potential associated with the school will flow to the Council. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to appoint the employees of the school and is able to set the admission criteria.
- 4.3 There are currently five types of schools within the borough:
- Community schools
 - Voluntary Controlled (VC) schools
 - Voluntary Aided (VA) schools
 - Foundation/Trust schools
 - Academies
- 4.4 Employees at community schools are appointed by the Council and the Council sets the admission criteria. These schools are therefore recognised on the Council’s Balance Sheet.
- 4.5 In order to comply with the recent amendments to the Code of Practice on Local Authority Accounting, the Council has written to each of the diocese who occupy schools within the borough of Tameside in order to establish the accounting arrangements.
- 4.6 Diocese of Salford, The Church of England Diocese of Chester, The Church of England Diocese of Manchester and Diocese of Shrewsbury have all responded in writing to confirm that the schools occupy the school premises under the direction of the trustees and that the legal ownership resides with the religious body. The Council has also had confirmation that the religious bodies referred to above account for the school buildings within their Balance Sheets.
- 4.7 The legal ownership of Voluntary Controlled school buildings belong to a charity, normally a religious body, therefore the Council does not recognise these non-current assets on the Balance Sheet. However, the adjoining school playing fields remain in Council ownership and are therefore included on the Council’s Balance Sheet.
- 4.8 Foundation Trust, Voluntary Aided and Academy school employees are appointed by the schools’ governing body, which also set the admission criteria. As a consequence the Council does not receive the economic benefit or service potential of these schools and does not recognise them on the Council’s Balance Sheet. However, the playing fields surrounding Voluntary Aided schools remain in Council ownership and are therefore included on the Council’s Balance Sheet.

Accounting for schools - Transfers to Academy status

- 4.9 When a school that is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration on the date that the school converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced.
- 4.10 Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council charges the cost of construction against Assets Under Construction (part of Property, Plant and Equipment), whilst the Academy is constructed. Once the construction is complete the asset is transferred to Property, Plant and Equipment on the date of transfer to Academy status. The Council accounts for this as a disposal for nil consideration.

Investment Properties

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

Property, Plant and Equipment

- 4.12 An asset is depreciated over a useful life that is dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual asset. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful life assigned to assets. If the useful life of an asset is reduced, the depreciation charge increases and the carrying amount of the asset falls.
- 4.13 An important estimation contained in the accounts is that of the useful economic life of non-current assets (or useful remaining economic life where assets are revalued). This is important as it determines the depreciation charge posted to the Comprehensive Income and Expenditure Statement.
- Property may have a remaining useful life of between 2 and 70 years and the exact amount is determined for each property by chartered surveyors, not less than once every 5 years.
 - Infrastructure assets (such as roads) are depreciated over 40 years from the date of capitalisation.
 - Investment properties are not depreciated, in line with guidance but are revalued each year.
 - Surplus assets are not depreciated as the Council's policy is to revalue them each year.
 - Other non-current assets (such as vehicles, plant and equipment) are depreciated over 10 years or less.
 - Specific assets may be valued more frequently depending on the wider economic context, particularly if it is expected that there has been a material reduction in their value during the year.
- 4.14 Depreciation could also be calculated by adopting a fixed policy regarding economic life for each identified class of asset. However, it has been determined by the Council that a 'catch-all' policy cannot be as accurate as the case-by-case review that is employed, because of the wide variety of assets held.

Business Rates

- 4.15 Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for the cost of successful appeals against business rates charged to businesses in their proportionate share. Appeals are managed by the Valuation Office (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 2016. 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

- 4.16 All debts due to the Council are regarded as collectible, unless firm evidence transpires that they are uncollectible and so are 'bad' debts. However, some debts which are proving difficult to collect may be properly termed 'doubtful'. The Council has included an impairment allowance for doubtful debts in the accounts based on a review of the Council's significant short term debtor balances. In the current economic climate it is not certain that the impairment allowance for doubtful debts would be sufficient. If collection rates were to deteriorate an increase in the impairment allowance would be required.

Leases

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

PFI and similar arrangements

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

Funding

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

Provisions

- 4.20 The Council has estimated its short term insurance provision value, based on reviewing the results of an actuarial review undertaken and current triangulation information. Actuarial reviews will be commissioned in future every 3 years.

Pensions Fund Liability

- 4.21 The estimation of the Pension Fund liability depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.
- 4.22 The estimation of the defined benefit obligations is sensitive to the actuarial assumptions. The sensitivity analysis below is based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost

method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change significantly from those used in 2014/15.

Manchester Airports Group (MAG)

- 4.23 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

- 4.24 Assumptions contained within the accounts include the final level of housing benefit subsidy grant receivable (included in the Comprehensive Income and Expenditure Statement). The amount will not be finalised until the 30 November 2016 when the auditor-certified claim is submitted and so the amount included in the accounts could differ.

Reserves

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

Minimum Revenue Provision

- 4.28 The Council has adopted the following policy in relation to calculating the Minimum Revenue Provision:
- Borrowing taken up prior to 01/04/2015 will be provided for using a straight-line method of calculating 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.

5. RECOMMENDATIONS

5.1 The Panel is asked to:

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

APPENDIX 1

AMENDED STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES FROM 1 APRIL 2015

This document outlines how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2015/16 financial year.

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

1. Accounting Principles

a) Going Concern

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

b) Accruals Concept

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

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

c) Cost of Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SERCOP) for Local Authorities 2015/16.

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

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

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

d) Value Added Tax (VAT)

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

e) Changes in Accounting Policy

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

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

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

f) Previous Year Adjustments

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

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

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

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

g) Events after the Balance Sheet Date

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

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

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

h) Exceptional and Extraordinary Items

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

i) Contingent Assets and Liabilities

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

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

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

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

2. CAPITAL ACCOUNTING

a) Recognition

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

Capital expenditure includes:

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

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

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

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

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

b) Measurement

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

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

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

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

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

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

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

c) Revaluation

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of the reserves formal implementation. Gains arising before that date were

subsequently consolidated into the Capital Adjustment Account. Movements in the valuations of non-current assets do not impact on General Fund Balances and are not a charge or credit to council tax levies.

d) Disposals

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

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

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

e) Investment Properties

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

f) Intangible Assets

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

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

g) Depreciation / Amortisation Methodology

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

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

Services within the Comprehensive Income and Expenditure Statement in the period that they occur.

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

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

h) Charges to revenue for non-current assets

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

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

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

i) Revenue Expenditure Funded from Capital under Statute

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

j) Impairment of Non-current Assets

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

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

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

k) Capital Receipts

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

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

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

l) Redemption of Debt (Minimum Revenue Provision)

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

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

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

m) Capital Grants and Contributions

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

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

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

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

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

n) Capital Reserves

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

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

o) Leases

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

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

p) Defining a Finance Lease

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

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

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset even if the title is not transferred. Measures to identify this are:
 - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
 - The Council recognises 'major part' to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Measures to identify this are:
 - Fair value of the leased asset is assessed by a RICS qualified valuer.
 - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
 - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.
 - The Council recognises 'substantially all' to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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

q) Defining an Operating Lease

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

r) Lessee Accounting for a Finance Lease

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

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

s) Lessor Accounting for a Finance Lease

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

t) Lessor Accounting for an Operating Lease

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

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

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

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

Those which lie with the Council – are recognised as an asset in the Balance Sheet for the construction costs of the asset. Once recognised this asset is treated in line with all capital assets. A corresponding long term liability is also recognised at the construction value. Payments made during the life of the contract are split into finance costs, capital costs and service costs. Determining the split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are

chargeable to the Comprehensive Income and Expenditure Statement as interest payable. Capital costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments reduce the level of liability at the start of the contract.

PFI credits are treated as general revenue government grants.

3. REVENUE ACCOUNTING

a) Recognition of Revenue Expenditure

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

b) Employee Costs

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

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

Short Term Employee Benefits

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

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

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

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

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service lines in the Comprehensive Income and Expenditure Statement at the earlier of when the

Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Pensions Costs

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

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

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

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

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

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

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

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

Service cost comprising:

1. Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
2. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

3. Net interest on the net defined benefit liability i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurement comprising:

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

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

Early Retirement, Discretionary Payments

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

c) Lessee Accounting for an Operating Lease

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

d) Revenue Grants and Contributions

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

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

e) Provisions

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

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

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

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

f) Revenue Reserves

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

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

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

g) Council Tax and Business Rates Recognition

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

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

h) Inventories and Work in Progress

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

No amounts are included for such items as small stores at Community Services residential homes, or stocks at special schools and outdoor education centres as these are not regarded as having material value due to their size. It is considered that this difference in treatment (together with the exclusion of certain types of stock) does not have a material effect on the values stated.

i) Provisions for bad and doubtful debts

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

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

4. TREASURY MANAGEMENT

a) Financial Instruments

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

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

Financial liabilities and assets are initially measured at fair value less transaction costs and carried at their amortised cost. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's 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).

5. IMPACT OF NEW STANDARDS ISSUED BUT NOT YET ADOPTED

Paragraph 3.3.2.13 of the 2015/16 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The standards introduced in the 2016/17 Code that are relevant to the requirements of paragraph 3.3.4.3 are:

- Amendments to IAS19 Employee Benefits (Defined Pension Plans : Employee Contributions);
- Annual Improvements to IFRSs (2010 – 2012 Cycle);
- Amendment to IFRS11 Joint Arrangements;(Accounting for Acquisitions of Interests in Joint Operations);
- Amendment to IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation);
- Annual Improvements to IFRSs (2012 – 2014 Cycle);
- Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiative);
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis;
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

Agenda Item 5.

Report To:	AUDIT PANEL
Date:	31 May 2016
Reporting Officer:	Ian Duncan – Assistant Executive Director (Finance) Stephen Nixon – Senior Manager Grant Thornton
Subject:	AUDIT PLAN
Report Summary:	Grant Thornton are responsible for performing the Council's audit, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The Audit Plan highlights the key elements of Grant Thornton's proposed audit strategy for the benefit of those charged with governance.
Recommendations:	That the audit plans are noted.
Links to Community Strategy:	The Sustainable Community Strategy is a key document outlining the aims of the Council and its partners to improve the borough of Tameside (agreed in consultation with local residents).
Policy Implications:	In line with Council Policy.
Financial Implications:	There are no direct financial implications as a result of this report.
(Authorised by the Section 151 Officer)	
Legal Implications:	Demonstrates the Council's compliance with the Accounts and Audit Regulations 2011.
(Authorised by the Borough Solicitor)	
Risk Management:	The audit provides external verification from an independent Organisation.
Access to Information:	The background papers can be obtained from the author of the report, Beverley Stephens, Head of Resource Management by contacting:  Telephone: 0161 342 3887  e-mail: Beverley.stephens@tameside.gov.uk

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The Audit Plan for Tameside Metropolitan Borough Council

Year ending 31 March 2016

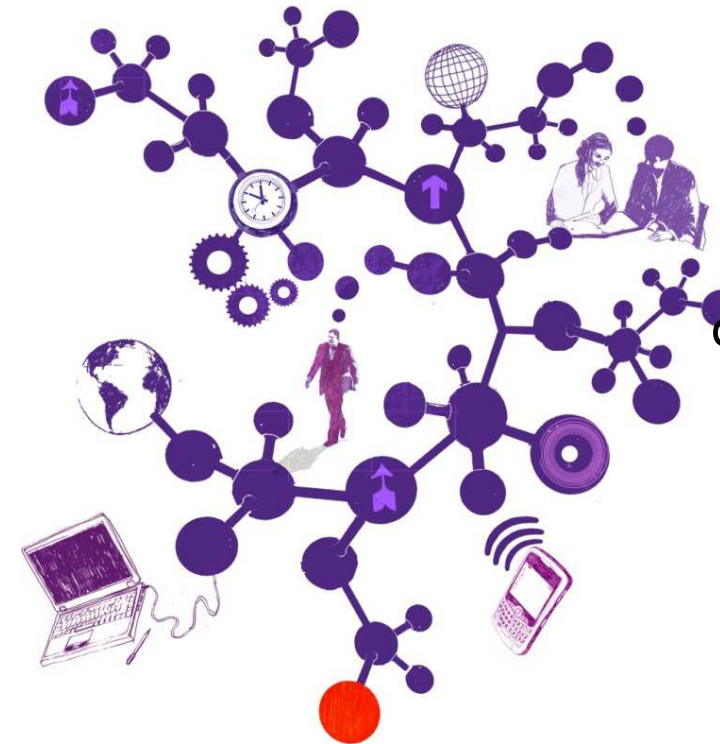
24 March 2016

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Agenda Item 5.a

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 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.

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

24 March 2016

Dear Members of the Overview (Audit) Panel

Audit Plan for Tameside Metropolitan Borough Council for the year ending 31 March 2016

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

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

Our responsibilities under the Code are to:

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

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

Yours sincerely

Mike Thomas

Engagement Lead

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- The Council has plans to make savings of £24m in 2015/16 with a further £14m planned for 2016/17.
- Despite the opportunities for increased control, the financial health of the sector is likely to become increasingly challenging.

2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- The devolution agenda is well advanced in Greater Manchester (GM) with the Council being an active partner.
- The devolution agreement was signed in November 2014, and GM take on new powers and responsibilities for public spending from April 2016 for health and social care and in 2017 for transport, strategic planning and housing.

3. Vision Tameside

- A key decision was taken in February 2015 to progress the Vision Tameside Phase 2 programme.
- The overall costs of the Vision Tameside programme must be contained within the overall net budget of £48.7m but there are still significant risks to construction costs related to the project.
- There are a number of significant legal issues that need to be resolved to ensure the programme remains on budget.

4. Integration with health and social care sectors

- Developments such as the increased scope of the Better Care Fund and transfer of responsibility for public health to local government are intended to increase integration between health and social care.
- The Council is at the forefront of activity in developing plans to establish an integrated care organisation with NHS Tameside and Glossop CCG.

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 and 2018/19 financial year.

Our response

- The most recent finance report to members (to the end of Q3) shows the Council projects to underspend by £1.2m in 2015/16.
- We will consider the Council's plans for addressing its financial position as part of our work to reach our VfM conclusion.

- We will consider your plans as part of the local devolution agenda as part of our work in reaching our VfM conclusion.
- We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

- We will continue to meet regularly with management and review documentation as we monitor progress of the programme as part of our work to reach our VfM conclusion.

- We will consider how the Council has reflected changes to its responsibilities in relation to public health and how it is working with partners, as part of our work in reaching our VfM conclusion.
- We will consider the extent of the changes surrounding the health and social care integration agenda as part of our work in reaching our VfM conclusion.

- We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.
- We aim to complete all substantive work in our audit of your 2015/16 financial statements and agree our ISA260 Audit Findings Report by 26 August 2016 as a 'dry run'.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.

2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

3. Highways Network Asset

- Although you are not required to include Highways Network Asset until 2016/17, this will be a significant change to your financial statements and you will need to carry out preparatory valuation work this year.

5. Other requirements

- The Council is required to submit a Whole of Government (WGA) accounts pack on which we provide an audit opinion.
- The Council completes grant claims and returns on which audit certification is required.

Our response

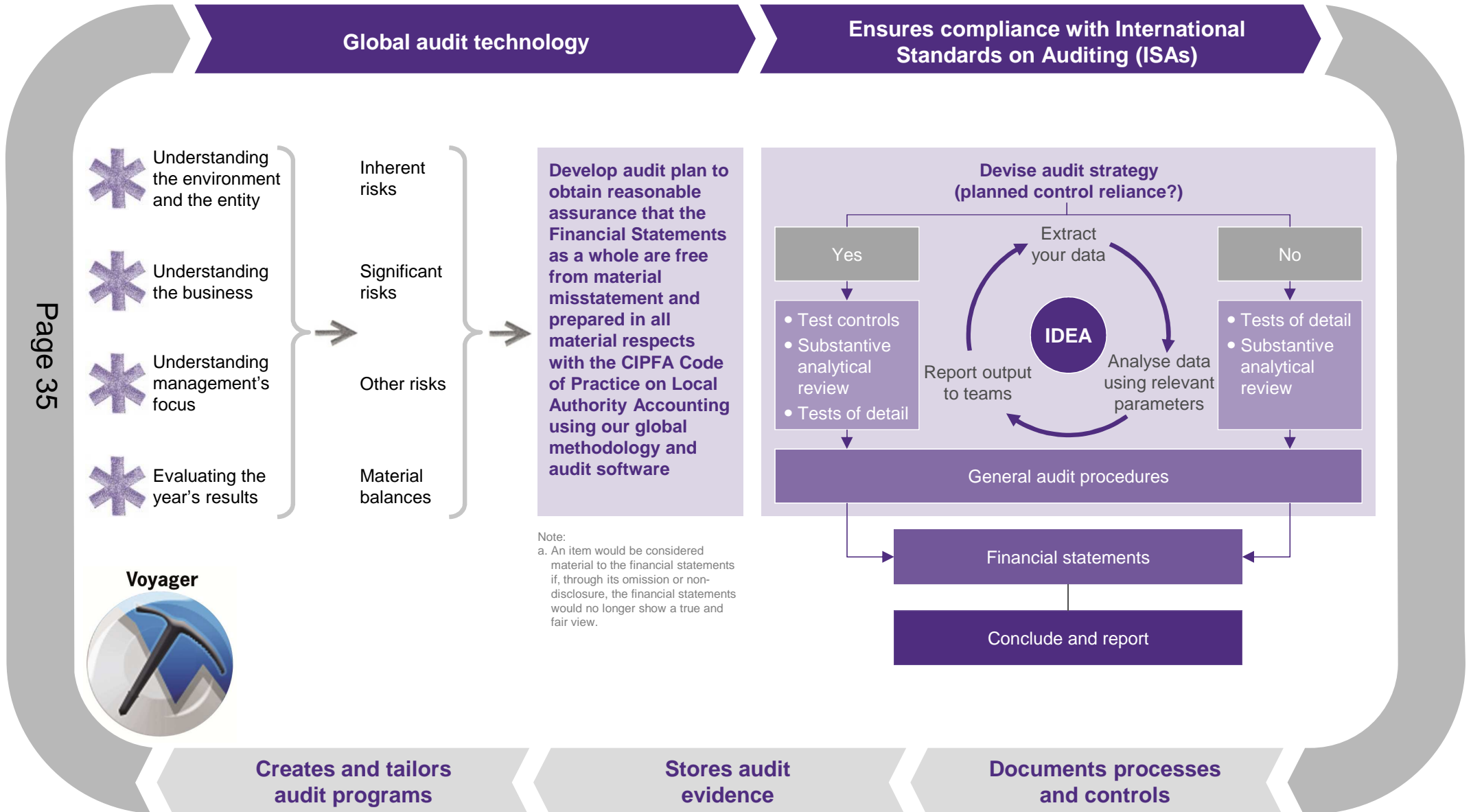
- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- We will continue to discuss your plans for identification and valuation of these assets to gain an understanding of your approach and suggest areas for improvement.

- We will carry out work on the WGA in accordance with requirements.
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd.

Our audit approach



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that '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'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £10,345k (being 2% of your 2014/15 gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

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

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

We have identified the following items where we will undertake audit procedures to ensure that these key figures / disclosures in the financial statements are correct:

Balance/transaction/disclosure	Explanation
Cash and cash equivalents	All transactions made by the Council affect the balance and it is therefore considered to be material by nature. Materiality set at £1k
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made. Materiality set at £1k
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made. Materiality set at £1k
Disclosure of related party transactions in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made. Materiality set at £1k
Disclosure of members' allowances in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made. Materiality set at £1k

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a 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 ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Tameside Metropolitan Borough Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation of controls applied to journal entries. • Testing of journal entries for the first 11 months of the financial year. <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management. • Sample testing of remaining month and year end journal entries. • Review of unusual significant transactions.

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Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
<p>Valuation of property, plant and equipment</p>	<p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work. • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register. • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
<p>Valuation of surplus assets and investment property</p>	<p>The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS 13.</p> <p>The basis on which fair value is defined for investment property is also different to that used in previous years.</p> <p>This represents a significant change in the basis for estimation of these balances in the financial statements.</p> <p>There are also extensive disclosure requirements under IFRS 13 which the Council needs to comply with.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work. • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register. • Review of the disclosures made by the Council in its financial statements to ensure they are in accordance with the requirements of the CIPFA Code of Practice and IFRS 13.

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
<p>Operating expenses</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 40</p>	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation of processes and controls. • Evaluation and walkthrough of controls. • Tested a sample of transaction for the first nine months of the year to supporting evidence. <p>Further work planned:</p> <ul style="list-style-type: none"> • Test a sample of transactions for the final three months of the year to supporting evidence. • Review post year end payments to identify any unrecorded liabilities. • Understand management's accruals process and test any significant accruals. • Review in-year and post year end payments to identify whether the transactions have been recorded in the correct financial period. • Test a sample of year-end creditors to supporting evidence and post year end payment.

Other risks identified (continued)

Other risks	Description	Audit approach
<p>Employee remuneration</p>	<p>Employee remuneration accruals understated (Remuneration expenses not correct)</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation of processes and controls. • Evaluation and walkthrough of controls. • Tested a sample of transaction for the first nine months of the year to supporting evidence. • Trend analysis for the first nine months of net pay, employer's NI and employer's superannuation to identify any unusual fluctuations. <p>Further work planned:</p> <ul style="list-style-type: none"> • Test a sample of transactions for the final three months of the year to supporting evidence. • Complete the trend analysis for the final three months of the year. • Test the year-end reconciliation of the payroll system to the general ledger. • Agree year-end tax, NI and superannuation creditors to supporting evidence. • Agree exit packages to supporting documentation.

Other risks identified (continued)

Other material balances and transactions

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

- Housing benefit expenditure
- Heritage assets
- Investment properties
- Debtors (long term and short term)
- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Short term creditors
- Provisions including equal pay provision
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grant income
- Schools balances and transactions
- Segmental reporting note
- Officers' remuneration note
- Member's allowances note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes
- Greater Manchester Metropolitan Debt Administration Fund and associated notes
- Greater Manchester Pension Fund and associated notes – this has its own Audit Plan

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Value for Money

Background

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

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

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

In all significant respects, the audited body 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:

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

Value for Money (continued)

Risk assessment

We shall carry out an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we will consider:

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

Following the completion of this risk assessment, we will issue a separate planning document setting out our planned work for 2015/16 to meet our duties in respect of the VfM conclusion. This will include any significant risks identified, along with details of the work we plan to carry out to address these risks.

Reporting

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

We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

Results of interim audit work

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

	Work performed and findings	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We will continue to liaise with internal audit and consider the outcome of their work on the Council's key financial systems and any impact it has on our responsibilities. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has not identified any material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Review of information technology controls	<p>Our information systems specialists are performing a high level review of the general IT control environment, as part of the overall review of the internal controls system. This is to provide assurance that IT controls have been observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work is on-going but to date has not identified any weaknesses which are likely to materially impact on the Council's financial statements.</p>

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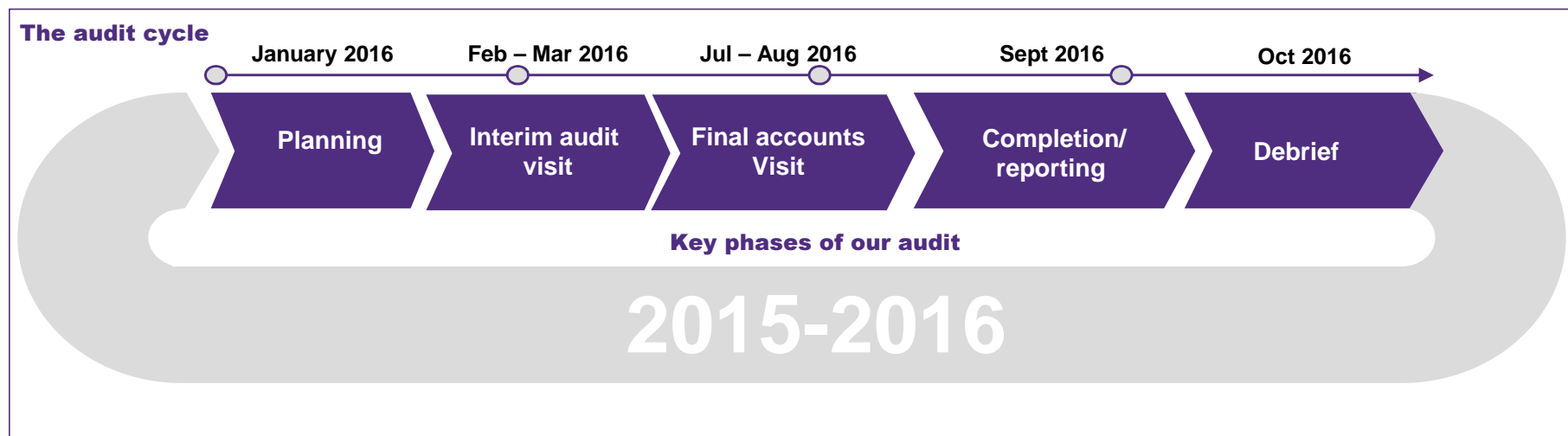
Results of interim audit work (continued)

	Work performed and findings	Conclusion
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. These are:</p> <ul style="list-style-type: none"> • employee remuneration (payroll) • operating expenses (payables / creditor payments). <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policy and procedures as part of determining our journal entry testing strategy. We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first 11 months of the financial year, by extracting large and unusual items for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>Our testing of journal entries for the first 11 months of the financial year has not identified any issues we wish to bring to your attention.</p> <p>We will conduct further testing of journal entries for the remainder of the financial year (including the closedown period) as part of our final accounts testing.</p>
Early substantive testing	<p>We have undertaken substantive testing on a sample basis for the first nine months of the financial year for employee remuneration and operating expenses and the first 11 months of the financial year for welfare benefits.</p> <p>Our work has not identified any issues which we wish to bring to your attention.</p>	<p>Our work to date has not identified any material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Minutes review	<p>We have reviewed the agenda papers and minutes from a variety of meetings throughout the year to identify potential audit risks, including:</p> <ul style="list-style-type: none"> • Full Council and Executive Cabinet • Overview (Audit) Panel and Audit Panel • Scrutiny Panels and other committees relevant to our audit. 	<p>No additional audit risks further to those reported in this Audit Plan have been identified.</p> <p>We will update our minutes review up to the date of our audit opinion during our final accounts audit.</p>

Results of interim audit work (continued)

	Work performed and findings	Conclusion
Related parties review	We have reviewed the Companies House website for information on members of the Executive Cabinet and senior officers (Assistant Executive Directors and above). We are awaiting further information from HR to complete this exercise.	No additional audit risks further to those reported in this Audit Plan have been identified. We will update our review of related party disclosures during our final accounts audit.
Assurance letters from those charged with governance and management	As part of our planning work to understand the Council's governance arrangements, we have raised a number of questions to both those charged with governance (TCWG) and management. The questions deal with a variety of issues such as internal control, risk management, fraud and litigation and the potential impact of these areas on the Council's financial statements.	We have proposed to the Council that the responses from both TCWG and management are included on the agenda for the Overview (Audit) Panel in July 2016.
Other accounting issues	We have discussed a number of other accounting issues with senior members of the Resource Management team including: <ul style="list-style-type: none"> • provisions, including equal pay • accounting policies • judgements and estimates • group accounts • Better Care Fund reporting. 	As in previous years the Resource Management team will produce a document covering key accounting matters for presentation to the Audit Panel on 31 May 2016. We will review the Council's consideration of these issues during our final accounts audit.
Follow up of prior year recommendation – the Markazi Jamia Mosque	It was reported to the March meeting of the Audit Panel that legal transfer of the Mosque from the Council to the Trustees of the Mosque has now been completed.	Any residual audit risk relating to the accounting for and ownership of the Mosque has now been removed.

Key dates



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Date	Activity
January 2016	Planning
February – March 2016	Interim site visit
31 May 2016	Presentation of audit plan to Audit Panel
July – August 2016	Year end fieldwork
August 2016	Audit findings clearance meeting with Assistant Executive Director - Finance
12 September 2016	Report audit findings to those charged with governance (Overview (Audit) Panel)
12 September 2016	Sign financial statements opinion and NAO Whole of Government Accounts certificate
October 2016	Issue Annual Audit letter to management

Fees and independence

Fees

	£
Council audit	105,017
Grant certification	38,773
Total audit fees (excluding VAT)	143,790

Our fee assumptions include:

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

Grant certification

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

Fees for other services

Service	Fees £
Audit related services:	
• Teachers' Pension Return	4,200
• George Frederick Byrom Trust – charity independent examination	1,000
Total audit related services	5,200
Non-audit services	Nil

Fees for other services

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

Independence and ethics

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

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

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

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

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

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

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

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

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

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The Audit Plan for Greater Manchester Pension Fund

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ending 31 March 2016

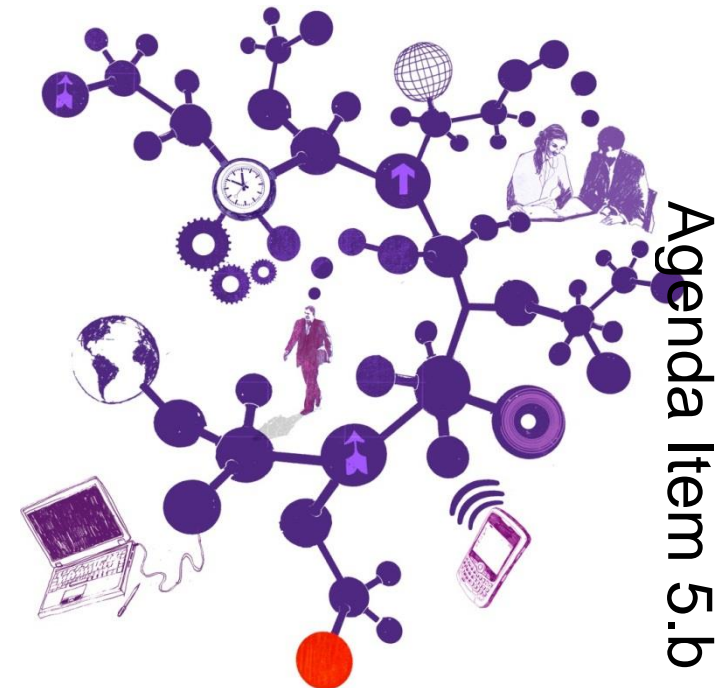
April 2016

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Agenda Item 5.b

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 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 Pension Fund 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.

Greater Manchester Pension Fund
Guardsman Tony Downs House
5 Manchester Road
Droylsden
Manchester M43 6SF

April 2016

Dear Members

Audit Plan for Greater Manchester Pension Fund for the year ending 31 March 2016

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

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

Our responsibilities under the Code are to:

- give an opinion on the Fund's financial statements
- give an opinion on the Pension Fund Annual Report.

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

Yours sincerely

Mike Thomas

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Pension Fund is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Pooling of Investments

- As part of the summer budget 2015 the government has invited LGPS administering authorities to submit proposals for investing their assets through pools of at least £25 billion, with the intention of reducing investment management costs and potentially improving returns.
- The government anticipates that this will improve both capacity and capability to invest in large scale infrastructure projects.
- Final proposals are to be submitted to DCLG by mid February, with final plans agreed by 15 July 2016.

2. Changes to the investment regulations

- In November 2015 DCLG published draft proposals in relation to the investment regulations governing LGPS funds.
- The proposals seek to remove some of the existing prescribed means of securing a diversified investment strategy and instead give funds greater responsibility to determine the balance of their investments and take account of risk.

3. Governance arrangements

- Local pension boards have been in place since April 2015, and were introduced to assist with compliance and effective governance and administration of the scheme.
- There remains a continued focus on the affordability, cost and management of the scheme, and as such it remains critical that appropriate governance arrangements are in place for the fund.

4. Increase in Local Government Outsourcing and Academies

- Councils continue to look at outsourcing and the set up of external companies as a more cost effective way to provide services, this together with the growth in independent Academies will have an impact on the LGPS.
- Funds need to carefully consider requests for admission to the scheme and where possible mitigate any risks to the fund.
- An increased number of admitted bodies may increase the risks for the fund in the event of those bodies failing. It is also likely to increase the administration costs of the scheme overall.

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require fund's to bring forward the approval of draft accounts and the audit of financial statements to the 31 May and 31 July respectively by the 2017/18 financial year.

Our response

- Officers are continuing to progress the Fund's proposals in this regard.
- We will continue to discuss with officers their plans for asset pooling and the implications that this will have on both the investment policy and governance arrangements of the fund.

- We will discuss with officers their plans to respond to these changes and consider the impact on the fund's investment strategy and its risk management approach to investments.

- We will continue our on-going dialogue with officers around their governance arrangements, particularly in light of their proposals for pooling investments.
- We will continue to share emerging good practice with officers.

- Through our regular liaison with officers we will consider the impact of any planned large scale TUPE transfers of staff and the effect on the fund.

- We will work with you to identify areas of your accounts production where you can learn from good practice in others.
- We aim to complete all substantive work in our audit of the Pension Fund's financial statements by 31 July as a 'dry run'.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Financial Pressures

- Pension funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and lever payments that are not covered by contributions and investment income.
- Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of the investment markets

2. Financial Reporting

- There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2016, however the Pension Fund needs to ensure on going compliance with the Code.

3. LGPS 2014

- Funds have implemented the requirements of LGPS 2014 and moved to a career average scheme.
- This will continue to increase the complexity of the benefit calculations and the arrangements needed to ensure the correct payment of contributions.
- In addition, this places greater emphasis on the employer providing detailed information to the scheme administrator, while also requiring the scheme to have enhanced information systems in place to maintain and report on this data.

4. Accounting for Fund management costs

- There continues to be a spotlight on the costs of managing the LGPS, and in particular investment management costs.
- Last year CIPFA produced guidance aimed at improving the transparency of management cost data and suggested that funds should include in the notes to the accounts a breakdown of management costs across the areas of investment management expenses, administration expenses and oversight and governance costs.
- This guidance is currently being updated.



Our response

- We will monitor any changes to the Pension Fund investment strategy through our regular meetings with management.
- We will consider the impact of changes on the nature of investments held by the Pension Fund and adjust our testing strategy as appropriate.

- We will ensure that the Pension Fund financial statements comply with the requirements of the Code through our audit work.

- We will continue to review the arrangements that the Fund has in place for the quality of its' membership data.

- We will continue to discuss with officers their plans for increasing the level of transparency associated with the costs of managing the fund.

Our audit approach

Global audit technology

Ensures compliance with International Standards on Auditing (ISAs)

- * Understanding the environment and the entity
- * Understanding the business
- * Understanding management's focus
- * Evaluating the year's results

- Inherent risks
- Significant risks
- Other risks
- Material balances

Develop audit plan to obtain reasonable assurance that the Financial Statements as a whole are free from material misstatement and prepared in all material respects with the CIPFA Code of Practice on Local Authority Accounting using our global methodology and audit software



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

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Creates and tailors audit programs

Stores audit evidence

Documents processes and controls

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that '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'.

As is usual in pension schemes, we have determined materiality for the statements as a whole as a proportion of net assets for the fund. For purposes of planning the audit we have determined overall materiality to be £175,912k (being 1% of net assets). We will consider whether this level is appropriate on receipt of the draft financial statements and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £8,796k.

ISA 330 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where we will undertake audit procedures as these are key figures / disclosures in the accounts that should be correct:

Balance/transaction/disclosure	Explanation
Management Expenses	Due to public interest in these disclosures and the statutory requirement for them to be made.
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.
Auditor's remuneration	This is a statutory requirement and a requirement of ethical and auditing standards
Cash	All transactions affect the balance and therefore it is considered to be material by nature.

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a 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 ISA240 and the nature of the revenue streams at Greater Manchester Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The split of responsibilities between the Pension Fund, its Fund Managers, Custodian and HSBC provides a clear separation of duties reducing the risks relating to investment income • the culture and ethical frameworks of local authorities, including Tameside MBC as the administering authority, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of journal environment and walkthrough testing of journals • Testing of journal entries up to December 2015 <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries for remaining 3 months and closedown journals • Review of unusual significant transactions

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
<p>Level 3 Investments – Fair value measurements priced using inputs not based on observable market data not correct. (Valuation is incorrect)</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 62</p>	<p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • We have updated our understanding and discussed the cycle with relevant personnel from the team during the interim audit. • We have performed walkthrough tests of the controls identified in the cycle. <p>Further work planned:</p> <ul style="list-style-type: none"> • For indirect property investments, test valuations to valuation reports and/or other supporting documentation. • For a sample of private equity investments, test valuations to Fund Manager valuations and/or by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. • Review the qualifications of the fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. • To review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments.

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	<ul style="list-style-type: none"> For investments held by fund managers, review reconciliation between custodian (JP Morgan), fund managers, HSBC and the Pension Fund and follow up any significant variance and gain appropriate explanations/evidence for these. For other investments,(e.g. direct property), agree a sample to supporting documentation.
Investment purchases and sales	Investment activity not valid. (Valuation gross)	<ul style="list-style-type: none"> For investments held by fund managers, review reconciliation between JP Morgan, fund managers, HSBC and the Pension Fund and follow up any significant variance and gain appropriate explanations/evidence for these. For other investments,(e.g. direct property), agree a sample to supporting documentation.
Investment values – Level 2 investments Fair value measurements priced using inputs (other than quoted prices from active markets for identical investments) that are observable either directly or indirectly not correct	Valuation is incorrect. (Valuation net)	<ul style="list-style-type: none"> For investments held by fund managers, review reconciliation between JP Morgan, fund managers, HSBC and the Pension Fund and follow up any significant variance and gain appropriate explanations/evidence for these. For direct property investments agree values in total to valuer's report and undertake steps to gain reliance on the valuer as an expert
Contributions	Recorded contributions not correct (Occurrence)	<p>Work completed to date:</p> <p>We have carried out procedures and reviews sufficient to understand the Pension Fund's arrangements for gaining assurance over recorded contributions.</p> <p>Further work planned:</p> <ul style="list-style-type: none"> Test a sample of contributions to source data to gain assurance over their accuracy and occurrence. Rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.

Other risks identified (continued)

Other risks	Description	Audit approach
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p>Work completed to date:</p> <p>We have carried out procedures and reviews sufficient to understand the Pension Fund's arrangements for gaining assurance over benefit payments.</p> <p>Further work planned:</p> <ul style="list-style-type: none"> • Controls testing over, completeness, accuracy and occurrence of benefit payments, • Rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.
Member Data	Member data not correct. (Rights and Obligations)	<p>Work completed to date:</p> <p>We have carried out procedures and reviews sufficient to understand the Pension Fund's arrangements for gaining assurance over benefit payments.</p> <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of reconciliation of member numbers • Sample testing of changes to member data made during the year to source documentation

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Other risks identified (continued)

Other material balances and transactions

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

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

Other audit responsibilities

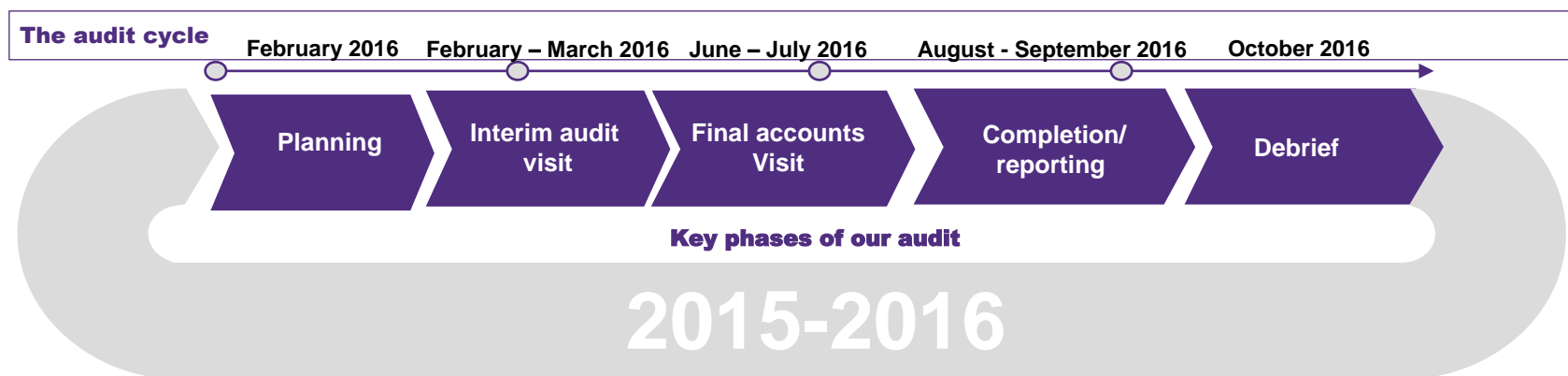
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will read the Pension Fund Annual Report and ensure that it is consistent with the Pension Fund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

Results of interim audit work

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

	Work performed	Conclusion
Entity level controls Page 66	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices. 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Fund's financial statements.</p>
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We will continue to liaise with internal audit and consider the outcome of their work on the Pension Fund's key financial systems and any impact it has on our responsibilities.</p>	<p>Our review of internal audit work to date has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Fund's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements including investments, benefit payments, contributions and member data.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach. Internal controls have been implemented by the Fund in accordance with our documented understanding.</p>
Journal entry controls	<p>We have reviewed the Fund's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>We have not identified any material weaknesses which are likely to adversely impact on the Fund's control environment or financial statements.</p> <p>We will carry out additional work including testing on journal transactions for the remainder of the year, including the closedown period, during our final accounts visit.</p>

Key dates



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Date	Activity
February / March 2016	Planning and Interim visit
January 2016	Interim site visit
31 May 2016	Presentation of audit plan to Tameside MBC Overview (Audit) Panel
June - July 2016	Year end fieldwork
August 2016	Audit findings clearance meeting with Assistant Director of Pensions
September 2016	Report audit findings to those charged with governance Tameside MBC Overview (Audit) Panel
September 2016	Sign Pensions Fund financial statements opinion
September 2016	Present audit findings report to Management Panel AGM

Fees and independence

Fees

	£
Pension Fund Scale Fee	56,341
Proposed fee variation (IAS 19 work for admitted bodies auditors – PSAA regime only)	5,996
Total audit fees (excluding VAT)	62,337

Our fee assumptions include:

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

Fees for other services

Service	Fees £
Audit related services	0
Non-audit services	0

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and the Annual Audit Letter of the Administering Authority.

Grant Thornton UK LLP also provides audit services to Matrix Homes Limited Partnership for fees totalling £11,500 and other services of £2,000. This is a separate engagement outside the remit of Public Sector Audit Appointments Limited

Independence and ethics

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

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

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

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

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

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

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

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

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



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Agenda Item 6.

Report To:	AUDIT PANEL
Date:	31 May 2016
Reporting Officer:	Ian Duncan – Assistant Executive Director (Finance)
Subject:	PLANNED AUDIT FEE FOR 2016/17
Report Summary:	To present to Members the planned audit fee letter from Grant Thornton for the external audit of 2016/17. This is for information only.
Recommendations:	To note the letter.
Links to Community Strategy:	The Community Strategy helps determine priorities for Council spending; the spending will be audited by Grant Thornton in the 2016/17 audit.
Policy Implications:	There are no direct policy implications.
Financial Implications: (Authorised by the Section 151 Officer)	Provision for the audit fees are included within the annual budget approved by Council.
Legal Implications: (Authorised by the Borough Solicitor)	PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales. Failing this the fees are likely to significantly rise.
Risk Management:	The audit provides external verification of the Council's financial statements.
Access to Information:	The background papers relating to this report can be inspected by contacting the report writer, Beverley Stevens, Head of Resource Management :  Telephone: 0161 342 3887  e-mail: beverley.stevens@tameside.gov.uk

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21 March 2016

Dear Peter

Planned audit fee for 2016/17

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

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

Scale fee

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

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset.

CIPFA/LASAAC is expected to confirm, subject to consultation, that the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom will adopt the measurement requirements of the CIPFA Code of Practice on Highways Network Asset.

PSAA have determined that there is no reliable and equitable way of establishing the volume of additional audit work, and therefore fees required, at each applicable local authority to gain assurance over the new financial reporting requirements. Therefore, fees for the additional work identified by auditors in 2016/17 will be subject to approval by PSAA under the normal fee variations process. PSAA expect that 'the additional fees for a highway authority will be in the range of £5,000 to £10,000, where authorities are able to provide the information required, and the auditor is able to rely on central assurance of the models in use.

PSAA have proposed that 2016/17 scale audit fees (excluding work completed on the

Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16. The Council's scale fee for 2016/17 has been set by PSAA at £105,017.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

As outlined above, the fee for any additional work in respect of the Highways Network Asset is not included in this fee.

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

Value for Money conclusion

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

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

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

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

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by PSAA at £24,323. This fee covers the cost of certifying the housing benefit subsidy claim only and is based on final 2014/15 certification fees.

The indicative fee for certification work is based on the expectation that you provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

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

Pension Fund audit

PSAA has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £56,341. Our work on the pension fund will be undertaken between December 2016 and August 2017 by our specialist pension fund audit team, led by Marianne Dixon.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	26,254
December 2016	26,254
March 2017	26,254
June 2017	26,255
Total	105,017
Grant Certification	
March 2017	24,323
Pension Fund audit	
March 2017	56,341

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2016 to March 2017. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in August 2017 and work on the whole of government accounts return in September 2017.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2016 – March 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.

Final accounts audit	June – August 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January – August 2017	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	September 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2017	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June – November 2017	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Mike Thomas	0161 214 6368	mike.thomas@uk.gt.com
Engagement Manager	Stephen Nixon	0161 234 6362	stephen.r.nixon@uk.gt.com
Pension Fund Audit Manager	Marianne Dixon	0113 200 2699	marianne.dixon@uk.gt.com
In Charge Auditor	Mark Stansfield	0161 234 6356	mark.stansfield@uk.gt.com

Additional work

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

Quality assurance

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

Yours sincerely



A handwritten signature in black ink, appearing to read "Mike Thomas". The signature is written in a cursive style with a prominent loop at the end.

Mike Thomas
Engagement Lead

For Grant Thornton UK LLP

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Agenda Item 7.

Report To:	AUDIT PANEL
Date:	31 May 2016
Reporting Officer:	Ian Duncan – Assistant Executive Director (Finance)
Subject:	REVIEW OF INTERNAL AUDIT 2015/2016
Report Summary:	The report reviews the effectiveness of internal audit and measures practices and performance of the Internal Audit function with the standards set out in the Public Sector Internal Audit Standards which contributes to the overall effectiveness of the system of internal control.
Recommendations:	That the report be noted.
Links to Community Strategy:	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
Policy Implications:	Effective Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	Effective Internal Audit assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services.
Legal Implications: (Authorised by Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015, which require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. It also must conduct a review of “the effectiveness of the system of internal control annually.
Risk Management:	Assists in providing the necessary levels of assurance that the significant risks relating to Council operations are being effectively managed.
Access to Information:	The background papers relating to this report can be inspected by contacting the Report Author, Ian Duncan, Assistant Executive Director (Finance) by contacting:  Telephone: 0161 342 3864  e-mail: ian.duncan@tameside.gov.uk

1. INTRODUCTION

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

1.3 Part 2, Section 3 – Responsibility for Internal Control

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

- (a) facilitates the effective exercise of 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.

1.4 Part 2, Section 5 – Internal Audit

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

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

1.5 Part 2 Section 6 – Review of Internal Control System

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

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

1.6 Clearly, an important input into the review of Internal Audit is the view of our External Auditors and in their Review of the Council's Arrangements for Securing Financial Resilience for Tameside Metropolitan Borough Council report dated 4 September 2015 they commented as follows:

"The Council has an effective in-house internal audit function which complies with the Public Sector Internal Audit Standards.

1.7 Internal audit - as part of their audit strategy and operational plan - undertake detailed reviews of key financial systems and confirm that those systems are appropriate and produce accurate and reliable information from which to produce the quarterly monitoring information and the annual financial statements. We meet regularly with the Head of Risk Management and Audit Services to discuss and share key findings from our respective work. The Council has an effective in-house internal audit function which complies with the Public Sector Internal Audit Standards.

1.8 In common with all Council services, the internal audit function has experienced a reduction in resources over recent years. Whilst this has not impacted on the ability of internal audit to provide a level of assurance over controls to date, internal audit is looking at a number of options and innovative solutions to maintain its audit and assurance coverage in the future".

1.9 In carrying out the review the Public Sector Internal Audit Standards have been extensively relied upon as the format for discussions and conclusions. The focus of the review has been on the delivery of the Internal Audit service to the required standard in order to produce the required outcome which is reliable assurance on internal control, governance and the management of risks in the Council. In carrying out the review reference has also been made to the Key Performance Indicators of internal audit, the value added by internal audit, the extent to which reliance is placed on internal audit by the external auditor and feedback from customers who have been audited.

2. INTERNAL AUDIT IN TAMESIDE

2.1 The function is managed by the Head of Risk Management and Audit Services who during 2015/16 reported directly to the Assistant Executive Director of Finance (Section 151 Officer).

2.2 Internal Audit now comprises of 9.4FTE staff that have a range of experience and relevant qualifications, and includes two dedicated Fraud Investigators/Counter Fraud Specialists.

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

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

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

3.2 The definition of Internal Audit is:

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

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

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

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

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

3.6 The standards themselves are divided into two categories:-

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

3.7 Table 1 shows an assessment against each of the individual standards within the above two categories and a comparison of the results presented to the Audit Panel in May 2015 compared to the position as at March 2016.

3.8 **Table 1 – Assessment against the Public Sector Internal Audit Standards - 2016**

STANDARDS	2016	2015
ATTRIBUTE	Fully Compliant	Fully Compliant
1000 – Purpose, Authority and Responsibility	✓	✓
1100 – Independence and Objectivity	✓	✓
1200 – Proficiency and Due Professional Care	✓	✓
1300 – Quality Assurance and Improvement Programme	✓	✓
PERFORMANCE	✓	✓
2000 – Managing the Internal Audit Activity	✓	✓
2100 – Nature of Work	✓	✓
2200 – Engagement Planning	✓	✓
2300 – Performing the Engagement	✓	✓
2400 – Communicating the Results	✓	✓
2500 – Monitoring Progress	✓	✓
2600 – Communicating the Acceptance of Risks	✓	✓

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

3.10 During 2015/16, the North West Chief Audit Executive Group developed a methodology to deliver the external assessments required by the standard across the group in the form of peer reviews. The initial proposal was shared with and approved by the Chartered Institute of Public Finance and Accountancy. Each review is conducted by a panel of three Heads of Audit and moderated by another panel of three different Heads of Audit. Two pilot reviews have been conducted during January to March 2016 and the results and the final process to be rolled out across the group will be reported to the next meeting of the North West Chief Audit Executive Meeting.

4. PERFORMANCE INDICATORS, VALUE ADDED AND FEEDBACK

4.1 Internal Audit has three key performance indicators and for 2015/16 and all targets were either met or exceeded:

- 94% of Plan Complete (92% in 2014/15 - Target 90%)
- % of recommendations Implemented (92% - Target 90%)
- Customer Satisfaction (95% - Target 90%)

4.2 With regards to Added Value in the annual plan we endeavour to incorporate a mixture of assurance audits and consultancy reviews requested by management to ensure that the

service delivers what the organisation requests. Part of our work involves providing independent assurance regarding the implementation of new systems to ensure that the data is migrated correctly and that the control environment is satisfactory from the outset and this work is valued by managers. During 2015/16 we worked with Resource Management and Digital Tameside on the following projects:

- Bank transfer
- The 'Chest' Procurement Portal
- Online payments

4.3 Furthermore, Internal Audit get involved in service redesigns and providing advice and support to the process, as it is more efficient and effective if we can ensure that controls are designed in rather than audit after the event and find issues and concerns.

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

- Customer satisfaction is very high at 95%, which signifies that auditees appreciate the process albeit sometimes they do not like the outcome especially if a low level of assurance is given.
- At the planning stage requests for work always outweighs resources available.
- In year we receive a significant number of requests for advice and support.
- In year we receive requests to get involved in new projects.

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

5. MANAGING THE RISK OF FRAUD AND CORRUPTION

5.1 The Chartered Institute of Public Finance and Accountancy issued via its Counter Fraud Centre a code of practice in 2014 entitled "Code of Practice on Managing the Risk of Fraud and Corruption". An initial self-assessment was undertaken during 2014/15 and reported to the Audit Panel back in February 2015.

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

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

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

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

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

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

6.2 The five principles are as follows:-

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

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

7. AUDIT PANEL

7.1 The system of internal control includes the role of the Audit Panel and in particular, its role in the receipt and evaluation of reports from the Head of Risk Management and Audit Services, both in terms of assurance opinions and in ensuring that appropriate arrangements are in place to evaluate and improve the effectiveness of risk management, control and governance processes across the Council. It has operated in accordance with best practice and guidance from the Chartered Institute of Public Finance and Accountancy for 2015/16.

8. CONCLUSIONS

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

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

9. RECOMMENDATION

9.1 That the report be noted.

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Self-Assessment against the requirements of the Public Sector Internal Audit Standards for 2015/2016

Ref	Requirement	Current position	Actions required
1000.A1	<p>The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurance services are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.</p> <p>The charter must include:</p> <p>Internal audit activity's purpose, authority and responsibility.</p> <p>Position of IA within the authority</p> <p>Authorisation of access to records, personnel and physical properties</p> <p>Definition of the scope of internal audit activities</p> <p>Definition of the terms 'board' and senior management for the purposes of IA activity</p> <p>Arrangements for appropriate resourcing</p> <p>Definition of the role of IA within any fraud related work; and</p> <p>Arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities</p>	<p>Audit Charter approved by the Audit Panel on 26 May 2015.</p> <p>No non-audit tasks undertaken</p>	
1000.C1	<p>The nature of consulting services must be defined in the audit charter.</p>	<p>Defined in the audit charter and included in the Audit Plan and any changes would be reported to the Audit Panel in year.</p>	
1010	<p><u>Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter</u></p> <p>The chief internal auditor should discuss the mandatory nature of the definition of internal auditing, the Code of Ethics and the Standards with senior management and the board.</p>	<p>Compliant – This is built into the annual report and the audit plan.</p>	

APPENDIX 1

Ref	Requirement	Current position	Actions required
1100	<p><u>Independence and Objectivity</u></p> <p>The chief internal auditor has unrestricted access to senior management and the board.</p> <p>Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others. Threats to objectivity must be managed at the individual auditor, functional and operational levels.</p>	<p>Access is available when needed.</p> <p>Any concerns would be reported to the Principal Auditors or the CIA.</p>	
1110	<p><u>Organisational Independence</u></p> <p>The chief internal auditor must confirm to the board, at least annually, the organisational independence of the internal audit activity.</p> <p>The chief internal auditor must have free and unfettered access to the chief executive and the chair of the audit committee</p> <p>The chief internal auditor should report functionally to the board, examples of functional reporting to the board involve the board:</p> <ul style="list-style-type: none"> Approving the internal audit charter Approving the risk based audit plan Approving the internal audit budget and resource plan Receiving communications from the chief internal auditor on the internal audit activity's performance relative to its plan and other matters Approving decisions regarding the appointment and removal of the chief internal auditor Approving the remuneration of the chief internal auditor¹; and Making appropriate enquiries of management and the chief internal auditor to 	<p>Confirmed in both the Annual Report and the Audit Plan Report presented to the Audit Panel and the Greater Manchester Pension Fund Local Board.</p> <p>Available if needed.</p> <p>Compliant – All aspects are covered and reported to the Audit Panel.</p>	

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

APPENDIX 1

Ref	Requirement	Current position	Actions required
	determine whether there are inappropriate scope or resource limitations.		
1110.A1	The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.	Compliant – Whilst consultation is undertaken the final decision rests with the CIA/Principal Auditors and team.	
1111	<u>Direct Interaction with the Board</u> The Chief Internal Auditor must communicate and interact directly with the board.	Compliant - The Head of Risk Management and Audit Services (CIA) reports directly to the Audit Panel and the Greater Manchester Pension Fund Local Board.	
1120	<u>Individual Objectivity</u> Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.	Compliant – Declaration of Interest forms are in place. Staff are experienced and would report any conflicts to their Principal Auditor or the CIA	
1130	<u>Impairment to Independence or Objectivity</u> If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties.	If applicable this would be reported to the Principal Auditors or the CIA.	
1130.A1	Internal Auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.	Compliant – Auditors do not give assurance on an activity they have had responsibility for. Limited risk, as the team has been together for over 5 years. Any new staff would be assessed and their work managed accordingly.	
1130.A2	Assurance engagements for functions over which the chief internal auditor has responsibility must be overseen by a party outside the internal audit activity.	Yes this would be done.	

APPENDIX 1

Ref	Requirement	Current position	Actions required
1130.C1	Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.	Compliant – If an auditor has previous knowledge of an area then it can assist in consultancy work and would reduce the time taken. Sometimes though it is recognised that somebody without knowledge is preferred to bring a fresh approach.	
1130.C2	If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement. Public sector requirement – Approval must be sought from the board for any significant additional consulting activities not already included in the audit plan, prior to accepting the engagement.	Compliant - Changes to the audit plan are reported to the Audit Panel and the Greater Manchester Pension Fund Local Board.	
1200	Engagements must be performed with proficiency and due professional care.	Experienced staff in place.	
1210	Public Sector Requirement – the Chief Internal Auditor must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.	Compliant - CIA holds the CIPFA Qualification.	
1210.A1	The chief internal auditor must obtain competent advice and assistance if the internal auditors lack the knowledge, skills or other competencies needed to perform all or part of the engagement.	This is undertaken when and where appropriate.	
1210.A2	Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.	Compliant - Staff are very experienced in the audit team. Any issues detected are discussed with the Principal Auditors/CIA and a plan of action put in place and liaison would take place with the Fraud Investigator.	

APPENDIX 1

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

APPENDIX 1

Ref	Requirement	Current position	Actions required
		corporate messages are disseminated to the team. The Wire and the Chief Executive's Brief also provide regular corporate information.	
1220.C1	<p>Internal auditors must exercise due professional care during a consultancy engagement by considering the;</p> <ul style="list-style-type: none"> • Needs and expectations of clients, including the nature, timing and communication of engagement results • Relative complexity and extent of work need to achieve the engagement's objectives; and • Cost of the consulting engagement in relation to potential benefits 	Compliant – Experienced team in place.	
1230	Continuing Professional Development – Internal auditors must enhance their knowledge, skills and other competencies through Continual Professional Development.	In Place – Annual Development Reviews are undertaken annually and where appropriate they cover Continual Professional Development. Whilst training budgets are limited alternative ways to enhance knowledge and skills are encouraged.	
1300	<p><u>Quality Assurance and Improvement Programme</u></p> <p>The chief internal auditor must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.</p> <p>The QA programme should enable an evaluation to be made of the internal audit activity's conformance with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> and an evaluation of whether internal auditors apply the <i>Code of Ethics</i>.</p> <p>The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.</p>	<p>Quality assurance process in place.</p> <p>Performance is measured annually and reported to the Audit Panel.</p> <p>Conformance with auditing standards has been undertaken for many years and will continue into the future.</p>	During 2016/17 Galileo (the audit management system) will be updated to the latest version to capture some system improvements now available which should

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Ref	Requirement	Current position	Actions required
		Continual improvement is built into the process. Auditors are aware of the need to identify opportunities for improvement and challenge why we do what we do.	improve efficiency within the audit process.
1310	<p><u>Requirements of the Quality Assurance and Improvement Programme</u></p> <p>The quality assurance and improvement programme must include both internal and external assessments.</p>	<p>Both conducted. Customer questionnaires are issued with all Final Reports and meetings are held with Senior Officers, Executive Members and External Audit to discuss progress and performance.</p> <p>An external assessment of the service will be conducted in accordance with these standards within the next two years.</p>	
1311	<p>Internal assessments must include:</p> <p>On-going monitoring of the performance of the internal audit activity; and</p> <p>Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.</p>	<p>Quality assurance process in place within IA.</p> <p>Customer Questionnaires are used.</p> <p>IA has been assessed against the CIPFA Code of Practice for many years and is now assessed annually against the PSIAS.</p>	
1312	<p>External assessments must be carried out at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief internal auditor must discuss with the board:</p> <ul style="list-style-type: none"> • The form of external assessments; and • The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest 	Peer Reviews will be conducted across North West Audit Executive Group.	Process identified and piloted during 2015/16 with two volunteers from within the North West Audit

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Ref	Requirement	Current position	Actions required
	<p>External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.</p> <p>The chief internal auditor must agree the scope of external assessments with an appropriate sponsor, e.g. the Accounting / Accountable officer or the chair of the audit committee as well as with the external assessor or assessment team.</p>		<p>Executive Group. Full roll out programme to be discussed at May 2016 meeting of the North West Audit Executive Group and reported to the Audit Panel.</p>
1320	<p><u>Reporting on the Quality Assurance and Improvement Programme</u></p> <p>The chief internal auditor must communicate the results of the quality assurance and improvement programme to senior management and the board.</p> <p>Public sector requirement – the results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.</p>	<p>Benchmarking and Performance Indicators are reported to the Audit Panel.</p> <p>Performance discussed with Senior Managers, Executive Members and External Audit regularly.</p>	
1321	<p><u>Use of ‘Conforms with the International Standards for the Professional Practice of Internal Auditing’.</u></p> <p>The chief internal auditor may state that the internal audit activity confirms with the International Standards for the Professional Practice of Internal Auditing only if the results of the quality assurance and improvement programme support this statement.</p> <p>Interpretation: The internal audit activity conforms with the Standards when it achieves the outcomes described in the definition of Internal Auditing, Code of Ethics and Standards.</p>	Compliant.	
1322	<p><u>Disclosure of Non-conformance</u></p> <p>When non-conformance with the definition of Internal Auditing, the Code of Ethics or the Standards impacts on the overall scope or operation of the</p>	<p>Any non-conformance would be reported to the Audit Panel at the</p>	

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Ref	Requirement	Current position	Actions required
	<p>internal audit activity, the chief internal auditor must disclose the non-conformance and the impact to senior management and the board.</p> <p>Public sector requirement – Instances of non-conformance must be reported to the board. More significant deviations must be considered for inclusion in the governance statement.</p>	annual review.	
2000	<p><u>Managing the Internal Audit Activity</u></p> <p>The chief internal auditor must establish an annual risk based audit plan. The plan should take account of the risk management framework, including risk appetite levels set by management for the different activities or parts of the organisation. If the risk management framework is not well established, then the head of internal audit must use their own judgement of risks after consideration of input from senior management and the board. The chief internal auditor must review and adjust the plan as necessary in response to changes in the organisation's business, risks, operations, programs, systems and controls.</p>	Compliant – A risk based plan is in place.	
2010.A	The internal audit activity's plan of engagements must be based on a documented risk assessment undertaken at least annually. The input of senior management and the board must be considered in this process.	Compliant – This is undertaken annually.	
2010.A2	The chief internal auditor must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.	Compliant – The draft report is discussed with management at the closure of an audit and the audit opinion and conclusions evaluated. Standard criteria are in place to assess the opinion allocated.	
2010.C1	The chief internal auditor should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.	All work is included in the plan.	

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Ref	Requirement	Current position	Actions required
2020	<p><u>Communication and Approval</u></p> <p>The chief internal auditor must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief internal auditor must also communicate the impact of resource limitations.</p>	Reported to the Audit Panel and the Greater Manchester Pension Fund Local Board.	
2030	<p><u>Resource Management</u></p> <p>The chief internal auditor must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved audit plan.</p> <p>Public Sector requirement – the risk based plan must explain how internal audit's resource requirements have been assessed.</p> <p>Where the chief internal auditor believes that the level of agreed resources will impact adversely on the provision of the annual audit opinion, the consequences must be brought to the attention of the board.</p>	Compliant – Any adverse impact would be discussed with the Chief Finance Officer and reported to the Audit Panel.	
2040	<p><u>Policies and Procedures</u></p> <p>The chief internal auditor must establish policies and procedures to guide the internal audit activities.</p>	Compliant – Audit Strategy and Charter in place together with documented processes.	
2050	<p><u>Co-ordination</u></p> <p>The chief internal auditor should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.</p> <p><u>Public sector requirement</u></p> <p>The chief internal auditor must include in the risk based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.</p>	Compliant – External sources of assurance would be assessed before any reliance was placed on them.	
2060	<p><u>Reporting to senior management and the Board</u></p>	Compliant – Quarterly activity	

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Ref	Requirement	Current position	Actions required
	The chief internal auditor must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.	reports are issued to Senior Management and Executive Members. Reports are issued at the conclusion of all assignments and presented to senior management including any significant risk exposures or control issues. Progress is reported to the Audit Panel and the Greater Manchester Pension Fund Local Board.	
2070	<p><u>External Service Provider and Organisational Responsibility for Internal Auditing</u></p> <p>When an external service provider serves as the internal audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.</p> <p>This will be demonstrated through the quality assurance and improvement programme which assures conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.</p>	N/A – The only external service provider used is Salford Computer Services and all work is conducted in partnership and the in-house audit team are fully involved at the terms of reference and closure meeting. The report is issued by the CIA.	
2100	<p><u>Nature of Work</u></p> <p>The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.</p>	Standard approach and processes in place to ensure the service contributes to improvements in governance, risk management and control.	
2110	<p><u>Governance</u></p> <p>The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:</p> <ul style="list-style-type: none"> • Promoting appropriate ethics and values within the organisation; • Ensuring effective organisational performance management and 	Compliant – All aspects are covered by the services provided by the Service Unit.	

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Ref	Requirement	Current position	Actions required
	accountability; <ul style="list-style-type: none"> • Communicating risk and control information to appropriate areas of the organisation; and • Coordinating the activities of and communicating management information among the board, external and internal auditors and management 		
2110.A1	The internal audit activity must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.	Compliant and built into the audit plan and individual audit assignments.	
2110.A2	The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.	ICT audits are included in the annual audit plan.	
2120	<p><u>Risk Management</u></p> The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.	In place as all audits undertaken are risk based.	
2120.A1	The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the; <ul style="list-style-type: none"> • Achievement of the organisation's strategic objectives • Reliability and integrity of financial and operational information • Effectiveness and efficiency of operations and programmes • Safeguarding of assets; and • Compliance with laws, regulations, policies, procedures and contracts 	Compliant - All covered	
2120.A2	The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.	Compliant – This is undertaken at the planning stage and conducted as part of each audit assignment in the assessment of controls to ensure the risk of fraud is minimised.	

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Ref	Requirement	Current position	Actions required
2120.C1	During consultation engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.	Compliant - Experienced staff undertake audits and consultancy work.	
2120.C2	Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.	Compliant – Internal Audit and the Risk Management Team work very closely together.	
2120.C3	When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risk.	All staff clearly understand that the responsibility for risk management rest with managers.	
2130	Control The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.	Compliant – The audit plan in place is designed to deliver assurance that controls are effective. Where improvements are identified recommendations are made.	
2130.A1	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: <ul style="list-style-type: none"> • Achievement of the organisation's strategic objectives • Reliability and integrity of financial and operational information • Effectiveness and efficiency of operations and programmes • Safeguarding of assets • Compliance with laws, regulations, policies, procedures and contracts. 	Compliant – All aspects covered by the work of internal audit.	
2130.C1	Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.	Compliant – This is undertaken where applicable.	
2200	<u>Engagement Planning</u>	Terms of Reference issued.	

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

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Ref	Requirement	Current position	Actions required
2210.A2	Internal auditors must consider the probability of significant errors, fraud, non-compliance and other exposures when developing the engagement objectives.	Terms of Reference Initial audit meeting with management.	
2210.A3	Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and / or the board to develop appropriate evaluation criteria.	Compliant – A performance framework is in place which evaluates governance, risk management and controls. Furthermore, as part of the AGS process Executive Directors are required to complete a self-assessment, which evaluates the above, any many other key service deliverables. Value for Money featured in audit work.	
2210.C1	Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client.	Compliant – The terms of reference agree the scope and objectives of the audit any deviations would be explained to the client.	
2210.C2	Consulting engagement objectives must be consistent with the organisation’s values, strategies and objectives.	Compliant – All objectives meet the needs of the organisation.	
2220	<u>Engagement Scope</u> The established scope must be sufficient to satisfy the objectives of the engagement.	Compliant - Agreed with management before work commences.	
2220.A1	The scope of the engagement must include consideration of relevant systems, records, personnel and physical properties, including those under control of third parties.	Compliant - Scope discussed with management and all points considered.	
2220.A2	If significant consulting opportunities arise during an assurance engagement, a	Compliant - Terms of reference	

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Ref	Requirement	Current position	Actions required
	specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.	would be issued.	
2220.C1	In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.	Compliant - Any concerns would be discussed within internal audit and then with management.	
2220.C2	During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.	Compliant - Quality assurance process in place to ensure all aspects are covered.	
2230	<p><u>Engagement Resource Allocation</u></p> <p>Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints and available resources.</p>	An audit plan is in place which estimates the days for each assignment. Variations to the plan have to be discussed with the Head of Risk Management and Audit and reported to the Audit Panel and the Greater Manchester Pension Fund Local Board.	
2240	<p><u>Engagement work programme</u></p> <p>Internal auditors must develop and document work programmes that achieve the engagement objectives.</p>	Compliant - All recoded in Galileo – Audit Management System	During 2016/17 Galileo (the audit management system) will be updated to the latest version to capture some system improvements now available which should

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Ref	Requirement	Current position	Actions required
			improve efficiency within the audit process.
2240.A1	Work programmes must include the procedures for identifying, analysing, evaluating and documenting information during the engagement. The work programme must be approved prior to its implementation and any adjustments approved promptly.	Compliant - Control evaluation and testing programme reviewed by Principal Auditor and any changes are discussed as part of the ongoing supervision process.	
2240.C1	Work programmes for consulting engagements may vary in form and content depending upon the nature of the engagement.	Compliant - Template in place but the content can be varied to suit the engagement if required.	
2300	<p><u>Performing the Engagement</u></p> <p>Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.</p>	All recorded in Galileo – Audit Management System and the quality assurance processes ensure that objectives are met and that sufficient information is identified, analysed and evaluated.	
2310	<p><u>Identifying Information</u></p> <p>Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.</p>	Compliant - Experience auditors undertake the work to meet this standard.	
2320	<p><u>Analysis and evaluation</u></p> <p>Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.</p>	Compliant - Working papers are held in Galileo and reviewed as part of the assurance process.	
2330	<p><u>Documenting Information</u></p> <p>Internal auditors must document relevant information to support the conclusions and engagement results</p>	Compliant - All working papers held in Galileo and reviewed as part of the assurance process.	

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Ref	Requirement	Current position	Actions required
2330.A1	The chief internal auditor must control access to engagement records. The chief internal auditor must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties as appropriate.	Compliant - Consultation would take place with the Executive Director of Governance and Resources/legal Services before any action was taken.	
2330.A2	The chief internal auditor must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.	Compliant - Retention records in place.	
2330.C1	The chief internal auditor must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.	Compliant - Retention records in place. Consultancy work would only be undertaken for Council Directorates or schools.	
2340	<u>Engagement supervision</u> Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.	Compliant - Supervision and quality assurance process in place.	
2400	<u>Communicating results</u> Internal auditors must communicate the results of engagements.	Compliant - Draft Reports are issued for management comments and responses. Final Report incorporating any changes and responses issued. Post Audit Review Reports are also issued showing the implementation of recommendations.	
2410	<u>Criteria for communicating</u> Communications must include the engagement's objectives and scope as well	Compliant – All produced through Galileo using agreed templates.	

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Ref	Requirement	Current position	Actions required
	as applicable conclusions, recommendations and action plans.		
2410.A1	Final communication of engagement results must, where appropriate, contain internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.	Compliant – The Final Report covers all these points.	
2410.A2	Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.	Compliant – Satisfactory performance is acknowledged in reports.	
2410.A3	When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.	All reports issued as Private and Confidential.	
2410.C1	Communication of the progress and results of consulting engagements will vary in form and content depending on the nature of the engagement and the needs of the client.	Compliant - Flexibility is adopted.	
2420	<u>Quality of Communications</u> Communications must be accurate, objective, clear, concise, constructive, complete and timely.	Compliant - This is tested via the customer questionnaire.	
2421	<u>Errors and Omissions</u> If a final communication contains a significant error or omission, the chief internal auditor must communicate corrected information to all parties who received the original communication.	Compliant - A Revised report would be issued in this circumstance and the recipients informed of the changes and why they have occurred.	
2430	Use of 'conducted in accordance with the International Standards for the Professional Practice of Internal Auditing'. Internal auditors may report that their engagements are ' <i>Conducted in</i>	Compliant – Included in all reports.	

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Ref	Requirement	Current position	Actions required
	<i>conformance with the International Standards for the Professional Practice of Internal Auditing</i> , only if the results of the quality assurance and improvement programme support the statement.		
2431	<p>Engagement disclosure of non-conformance</p> <p>When non-conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards impacts a specific engagement, communication of the results must disclose the;</p> <ul style="list-style-type: none"> • Principle or rule of conduct of the Code of Ethics or Standard with which full conformance was not achieved • Reason for non-conformance • Impact of non-conformance on the engagement and the communicated engagement results. 	Appropriate communication would be issued if applicable.	
2440	<p><u>Disseminating results</u></p> <p>The chief internal auditor must communicate results to the appropriate parties.</p> <p>Interpretation: the chief internal auditor is responsible for reviewing and approving the final engagement communication and deciding to whom and how it will be disseminated. When the chief internal auditor delegates these duties, he or she retains overall responsibility.</p>	Compliant - Reporting rules are in place within the quality assurance system. Variations to the norm are discussed with the Head of Risk Management and Audit Services (CIA).	
2440.A1	The chief internal auditor is responsible for disseminating the final results to parties who can ensure the results are given due consideration.	Compliant – Draft, Final and PAR Reports all issued.	
2440.A2	<p>If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organisation, the chief internal auditor must;</p> <ul style="list-style-type: none"> • Assess the potential risk to the organisation • Consult with senior management and / or legal counsel as appropriate • Control dissemination by restricting the use of the results 	Careful consideration as to how to respond would be given if the situation occurred and appropriate advice requested.	
2440.C1	The chief internal auditor is responsible for communicating the results of	Compliant – Agreed processes in	



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Ref	Requirement	Current position	Actions required
	consulting engagements to clients.	place.	
2440.C2	During consultation engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.	Compliant - Communication with management takes place at the conclusion of all pieces of work conducted by the Internal Audit Team.	
2450	<p>Overall opinions</p> <p>Where an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.</p> <p>Interpretation:</p> <p>The communication will identify:</p> <ul style="list-style-type: none"> • The scope including the time period to which the opinion pertains • Scope limitations • Consideration of all related projects, including the reliance on other assurance providers • The risk or control framework or other criteria used as a basis for the overall opinion; and • The overall opinion, judgement or conclusion reached. <p>The reasons for an unfavourable opinion must be stated</p> <p><u>Public sector requirement</u></p> <p>The chief internal auditor must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.</p> <p>The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p> <p>The annual report must incorporate:</p>	Compliant – This is covered by the Annual Report produced by Head of Risk Management and Audit Services (CIA)	

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Ref	Requirement	Current position	Actions required
	<ul style="list-style-type: none"> • The opinion • A summary of the work that supports the opinion • A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme. 		
2500	<p><u>Monitoring Progress</u></p> <p>The chief internal auditor must establish and maintain a system to monitor the disposition of results communicated to management</p>	Compliant - Audit Management system in place – Galileo.	
2500.A1	The chief internal auditor must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.	Compliant - Post Audit Review process in place. Actions followed up after 6 months and 3 months where a low level of assurance is given.	
2500.C1	The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed with the client.	Compliant.	
2600	<p>Communicating the acceptance of risks</p> <p>When the chief internal auditor concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief internal auditor must discuss the matter with senior management. If the chief internal auditor determines that the matter has not been resolved, the chief internal auditor must communicate the matter to the board.</p> <p><u>Interpretation</u></p> <p>The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief internal auditor to resolve the risk.</p>	Compliant - This is built into the quality assurance process used and would form part of the audit report.	

Agenda Item 8.

Report To:	AUDIT PANEL
Date:	31 May 2016
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit Services
Subject:	RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2015/2016
Report Summary:	The report summarises the work performed by the Service Unit and provides assurances as to the adequacy of the Council's systems of internal control.
Recommendations:	Members note the report.
Links to Community Strategy:	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
Policy Implications:	Effective Risk Management and Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services. It also helps to keep insurance premiums and compensation payments to a minimum.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015, which require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector auditing standards or guidance”.
Risk Management:	The services of the Risk Management and Audit Service Unit assists in providing the necessary levels of assurance that the significant risks relating to the Council's operations are being effectively managed and controlled.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:  Telephone: 0161 342 3846  e-mail: wendy.poole@tameside.gov.uk

1. INTRODUCTION

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

1.2 The key elements of the definition are:-

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

1.3 The definition of Internal Auditing is defined by the Public Sector Internal Audit Standards 2013.

2. THE AUTHORITY FOR INTERNAL AUDIT

2.1 **Local Government Act 1972 Section 151.**

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

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

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

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

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

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

- (1) A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- (2) Any officer or member of a relevant body must, if required to do so for the purpose of the internal audit:
 - (a) Make available such documents and records; and
 - (b) Supply such information and explanation;

as are considered necessary by those conducting the internal audit.

- (3) In this regulation “documents and records” includes information recorded in an electronic form.

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

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

- (1) A relevant authority must, each financial year:
- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an annual governance statement.
- (2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must:
- (a) consider the findings of the review required by paragraph (1)(a):
 - (i) by a committee; or
 - (ii) by members of the authority meeting as a whole; and
 - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of:
 - (i) a committee; or
 - (ii) members of the authority meeting as a whole.
- (3) The annual governance statement, referred to in paragraph (1)(b) must be:
- (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
 - (b) prepared in accordance with proper practices in relation to accounts(a).

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

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

3. **KEY ACHIEVEMENTS DURING 2015/2016**

3.1 The major achievements of the Service Unit for 2015/2016 are as follows: -

- 94% of planned audits were delivered.
- 92% of audit recommendations made have been implemented.
- Customer feedback is very positive with continued high levels of satisfaction demonstrated on customer questionnaires.
- Annual reports, plans and regular progress reports presented to Members via the Audit Panel and the Greater Manchester Pension Fund Local Board.
- The Annual Governance Statement was produced in accordance with best practice and agreed timescales and no adverse comments were received when our External Auditors (Grant Thornton) reviewed it.
- Information Governance training was rolled via several e-tutorials for all staff and compliance monitored within the service unit.

- Work was also undertaken to support the 'decant' from the Council Offices to ensure that information was protected and securely transferred to new premises.
- The National Anti-Fraud Network service was redesigned during the year resulting in the closure of the South Office located in Brighton and Hove. All staff from the South Office and one from the North Office transferred to the DWP's Single Fraud Investigation Service. From October 2015, the Council now hosts all operations.
- Twenty seven fraud cases were investigated during the year totalling £425,000.
- One Direct Payment Fraud was prosecuted through the courts this year and the defendant received a two year custodial sentence suspended for eighteen months, a curfew/tagged for 6 months and was ordered to repay the sum of £22,900.
- Internal Audit whilst investigating the matches identified by the National Fraud Initiative Exercise uncovered duplicate payments of £48,104.

4. COVERAGE FOR 2015/2016

4.1 The report presented to the Audit Panel in May 2015 provided an overview of the work planned for 2015/2016 for the service unit. The Original Audit Plan of 1937 days was detailed in the report and approved by the Panel. The plan however as reported during the year has been revised on a regular basis to ensure that it is aligned to changes in service priorities, risks, directorate structures and resources available.

4.2 Table 1 below shows the full year position of the audit plan by Directorate/Service Area. It details the original plan, the November position, the year-end plan, the actual days as at 31 March 2016 and the percentage completed.

Table 1 – Annual Audit Plan Progress as at 31 March 2016

Service Area	Approved Plan 2015/16	Revised Plan 2015/16	Actual Days To 31 March 2016	% Complete
People	230	212	221	104
Public Health	60	27	23	85
Place	199	155	183	118
Governance/Resources	330	264	265	100
Schools	293	235	238	101
Cross Cutting	40	38	8	21
Pension Fund	300	250	249	99
Contingency Days	10	0	0	0
Planned Days 2015/16	1462	1181	1187	100
Fraud Work	475	475	488	103
Total Days 2015/16	1937	1656	1675	101

4.3 Resources were reduced during the year as a member of the team transferred to the Pension Fund and we were unable to engage a temporary resource with audit experience to cover a maternity leave. This resulted in a reduction of 281 planned days from 1,462 to 1,181 and these changes were reported to the Panel in November 2015 and March 2016. In terms of the overall plan 1,675 actual days were delivered against a revised plan of 1,656.

4.4 In compiling the plan a number of assumptions are made regarding unproductive time in terms of days allocated for training, sickness, annual leave and development work and this

year days lost to sickness were lower than anticipated therefore delivering an additional 19 productive days.

4.5 The balance between planned work and reactive fraud work will be reviewed during the coming year to ensure that resources are utilised effectively.

4.6 The successful delivery of the plan can be measured in two ways:-

- Actual Productive Audit Days Delivered against the Plan

The days delivered against the plan including Fraud Work totalled 1675 compared to the revised plan of 1,656, which represents 101%.

- Percentage of Planned Audits Completed

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

4.7 The improvement in performance is due to closer monitoring of work at year-end to ensure audits were completed

4.8 This following sections of the report provide details of the key areas covered during the period April 2015 to March 2016 and comments on any important issues arising from our work.

Financial Systems:

4.9 During 2015/16 audits have been undertaken on the following financial systems to ensure they were operating securely, fit for purpose and that the information generated from them into the general ledger was reliable. Where issues were identified as part of the systems audit work, action plans were agreed with management and these will be followed up in due course:-

- Creditors
- Cashiers
- Council Tax
- General Ledger
- Payroll

4.10 Post Audit Reviews are in progress on Business Rates, Housing Benefit Data Assurance, Council Tax Support Scheme and Bank Reconciliation Procedures. The results will be presented to the Panel at a future meeting.

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

- Pension Benefits Payable
- Contribution Income
- Creditors

4.12 In relation to the Pension Fund Post Audit Reviews were undertaken on the General Ledger and the Construction Industry Scheme. From the work, undertaken assurance can be given that the systems are now operating more effectively and that the majority of recommendations made have been implemented. No significant recommendations were outstanding and Internal Audit was satisfied with the reasons put forward by management.

4.13 Sections 4.14 to 4.18 provide a flavour of the audit work undertaken in each directorate. The amount of time spent per audit can vary from a simple grant claim to a complex data assurance piece of work and the lists are not weighted and do not accurately reflect the days delivered in those areas.

4.14 **People**

Areas reviewed during the year have included:-

- Adults – Shared Lives
- Homelessness;
- Integrated Services for Children with Additional Needs (Short Term Care);
- Softbox;
- Childrens Homes;
- Youth Offending;
- Procurement of Placements for Children;
- Autism Innovation Capital Grant
- Public Services Hub; and
- Troubled Families.

4.15 **Place**

Areas reviewed during the year have included:-

- Local Authority Bus Subsidy Grant;
- Local Sustainable Transport Fund;
- Stores and Stocks Control
- Pinchpoint Grant;
- Markets Income;
- Trade Waste
- Use of Council Vehicle;
- Section 106 Agreements and Developer Fund Levies;
- Hattersley Collaboration Agreement;
- Transfer of Data Centre to Rochdale MBC;
- Disaster Recovery Site; and
- Security visits in relation to the AGMA Computer Disposal Procurement Exercise.

4.16 **Public Health**

Areas reviewed during the year have included:-

- Ring-Fenced Public Health Grant; and
- Information Governance.

4.17 **Governance and Resources**

Areas reviewed during the year have included:-

- Direct Payments (Adults)
- Revenue Expenditure (External Audit Checks)
- Better Care Fund - Pooled Budget Arrangements
- Transfer of Banks Sign Off
- Chest Procurement Portal System Sign Off
- Construction Industry Scheme;
- Duplicate Payments;
- Consultancy advice in relation to the Treasury Management function;
- Advice in relation to the Deferred Payments Policy.
- Payroll – External Audit Checks ;
- Other Payments to staff;
- Teachers' Pension Scheme; and
- Registrars.

4.18 **Greater Manchester Pension Fund:-**

Areas reviewed during the year have included:-

- New Property Management Contract
- Ministry of Justice Payroll Work;
- Ministry of Justice Asset Transfers and Valuation;
- Transfers to Defined Contribution Schemes

- No. 1 St Peters Square;
- Vulnerability Management;
- Transfer of Assets from Fund Manager to Fund Manager; and
- Assurance visits to Contributing Bodies.

4.19 A summary of the audit opinions issued in relation to system based audit work for 2015/16 compared to 2014/15 and 2013/14 is shown in Table 2 below: -

Table 2 – Final Reports System Based Audits

Opinion	Total for 2015/16	%	Total for 2014/15	%	Total for 2013/14	%
High	6 (4)	24	2 (2)	14	9 (6)	25
Medium	14 (3)	56	8 (3)	57	21 (10)	58
Low	5 (0)	20	4 (0)	29	6 (1)	17
Totals	25 (7)	100	14 (5)	100	36 (17)	100

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

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

4.21 Twenty-one schools have been audited and final reports issued as part of our cyclical review programme during 2015/2016. A summary of the opinions issued for schools during 2015/2016 compared to 2014/15 and 2013/14 is shown in Table 2 below: -

Table 3 – Audit Opinions – Schools

Opinion	Total for 2015/16	%	Total for 2014/15	%	Total for 2013/14	%
High	9	43	4	20	4	22
Medium	7	33	13	65	10	56
Low	5	24	3	15	4	22
Totals	21	100	20	100	18	100

4.22 In addition to the reports issued in Tables 2 and 3, a significant number of days were allocated throughout the year to work that did not generate a report with a level of assurance attached. The reasons for this are:-

- Grant Certification;
- Advice and consultancy work provided to support service redesigns and the implementation of new or updated systems; and
- Investigation control reports.

4.23 It is important to note however, that whilst the above work does not generate an audit opinion it undoubtedly adds value to the Council. It ensures that expenditure is in accordance with grant conditions, that new/amended systems are introduced with satisfactory controls in place and that control issues identified as part of irregularity investigations are resolved to improve the control environment.

4.24 Thirty eight Post Audit Reviews have been completed during the year and 92% of agreed recommendations have been implemented. Internal Audit was satisfied with the reasons put forward by management where the recommendations had not been fully implemented. Four of these post audit reviews related to the Pension Fund and twenty one related to Schools.

5. ANTI-FRAUD WORK

Irregularity Investigations

- 5.1 Investigations are conducted by two members of the Internal Audit Team under the direction of a Principal Auditor and the Head of Risk Management and Audit Services to ensure consistency of approach. All cases were investigated using the approved standard protocol and procedure, which complies with best practice. A control report is produced in the majority of cases for management to ensure that corrective action is taken where possible to ensure that the control environment is improved therefore minimising the risk of similar irregularities occurring in the future.
- 5.2 All investigations and assistance cases are reviewed by the Standards Panel every month and where appropriate the members of the Panel challenge and comment on the cases and offer further guidance and direction. Assistance cases can range from obtaining information for an investigating officer to actually undertaking a large proportion of the analysis work to provide evidence for the investigatory process.
- 5.3 The number of cases investigated during the period April 2015 to March 2016 is summarised in Table 4 below.

Table 4 – Investigations Undertaken from April to January 2016

Detail	No. of Cases
Cases B/Forward from 2014/2015	13
Current Year Referrals	14
Total	27
Cases Closed	16
Cases Still under Investigation	12
Total	27

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

Table 5 – Investigations by Fraud Type

Fraud Type	No. of Cases	Value £	Potential Annual Savings £
Direct Payment	13	292,198	91,263
Procurement Fraud	1	101,948	
Misappropriation of Monies/Stock	6	1,867	
Staff Conduct (Time/Mileage/HB Fraud)	3	413	
Pension Fund	1	N/A	
Identity Fraud	1	N/A	
Misappropriation of Grant Monies	1	4,000	
Foster Care Payments	1	24,962	
Total	27	425,388	91,263

- 5.5 Seventeen of the above cases investigated involved frauds perpetrated against the Council by claimants or third parties. The figures shown in the Value and Potential Annual Savings column in Table 5 are estimated based on the information available to date. Several of the cases are being prepared for prosecution and the value of the fraud could change as the

case progresses. The ongoing savings are the value of the Direct Payments that have been stopped because of ongoing investigations.

5.6 One Direct Payment Fraud was prosecuted through the courts this year and the defendant received a two year custodial sentence suspended for eighteen months, a curfew/tagged for 6 months and was ordered to repay the sum of £22,900.

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

National Fraud Initiative

5.8 Work continued during 2015/16 on the matches identified from the NFI 2014 Data Matching Exercise, which became available at the end of January 2015 and Table 6 below summarises the results.

Table 6 – National Fraud Initiative Data Matches 2014

NFI Data Set	Total Number of Matches	Number of Matches (Recommended)	Outcomes	
			Processed	No. of Error/Frauds and Value
Pensions to Department of Work and Pensions Deceased Persons	569	101	569	34 Frauds/ 22 Errors £24,841
Housing Benefits to Student Loans	405	200	200	1 Fraud/ 1 Error £26,524
Housing Benefits to Payroll	634	132	132	2 Frauds £29,370
Housing Benefit to Personal Alcohol Licences	42	22	22	-
Housing Benefit Claimants to UK Visas	9	8	8	-
Housing Benefit to In- Country Immigration	11	3	3	-
Blue Badge to Department of Work and Pensions Deceased	457	451	457	-
Private Residential Cares Homes to Department of Work and Pensions Deceased	33	11	11	1 (Error) £5,744
Pensions to Payroll	2,035	687	687	-
Creditors Duplicate Records/Payments	1,244	259	148	7 (Error) £48,104
Housing Benefits to Taxi Drivers	159	51	51	-
Totals	5,598	1,925	2,288	£134,583

5.9 The expectation from the Cabinet Office is that all “Recommended Matches” are investigated. The above table highlights that fraud and errors have been identified totalling £134,583, and action is underway to recover the amounts involved. The guidelines in

relation to the 2016 exercise will be issued over the summer and data will be submitted to the Cabinet Office in October 2016.

6. NATIONAL ANTI-FRAUD NETWORK

- 6.1 2015/16 was a significant year for the National Anti-Fraud Network as it implemented a major service redesign as all Housing Benefit fraud investigation work transferred from local authorities to the Single Fraud Investigation Service introduced by the Department of Work and Pensions.
- 6.2 In summary, the Brighton and Hove office was closed, staff transferred to the Single Fraud Investigation Service and all services delivered by the National Anti-Fraud Network transferred to the Council as the single host authority. Although now part of the Council, the National Anti-Fraud Network has an Executive Board elected from local authority members at its annual general meeting, which oversees the strategic/operational direction of the service. Funded from members subscriptions and grant funding the service does not present any financial implications for the Council. The Head of Risk Management and Audit Services continues to chair the Executive Board.
- 6.3 NAFN exists to support members in their protection of the public purse and acts as an Intelligence Hub providing a single point of contact for members to acquire data and intelligence in support of investigations, enforcement action and debt collection. A breakdown of the membership is provided in Table 7 below:-

Table 7 – NAFN Membership

Member Type	March 2016	March 2015	Target	%
Local Authorities - England, Wales and Scotland	348	358	407	86
Local Authorities – Northern Ireland	2	1	11	18
Registered Social Landlords/Private Registered Providers	48	37	N/A	-
National Health Service	2	3	N/A	-
Department of Work and Pensions	1	1	N/A	-
Others	9	7	N/A	-
Totals	410	407		

- 6.4 The revised Marketing Plan is now paying dividends as the service is continuing to attract new members from both local authorities and housing associations. Weekly marketing emails are being despatched to all registered users outlining the various services on offer to all members as the NAFN subscription provides corporate membership.
- 6.5 The number of requests received during 2015/16 as detailed in Table 8 below has decreased by 13% from 2014/2015 due to the implementation of the Single Fraud Investigation Service.

Table 8 – NAFN Requests Received

Type of Request	2015/16	2014/15	2013/14
General Data Protection Requests	62,703	70,886	72,851
Social Security Fraud Act	11,219	50,878	82,797
Driver and Vehicle Licensing Agency	14,478	21,084	34,898
Regulation of Investigatory Powers Act	1,035	2,768	1,617

Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	6,802	3,292	-
Sub Total	96,237	148,908	192,163
Type B (Online)	80,980	55,241	44,194
Grand Total	177,217	204,149	236,357
% Increase/(Decrease)	(13%)	(14%)	10%

- 6.6 A reduction in the number of requests was always anticipated and the Executive Board are monitoring progress on a quarterly basis to assess whether the revised staffing structure put in place in October 2015 is effective and that the services offered continue to meet the requirements of members.
- 6.7 The significant reduction in the number of Social Security Fraud Act requests is because Housing Benefit Fraud was transferring to the Single Fraud Investigation Service throughout 2015/16. From 2016/17, no further requests will be received.
- 6.8 The increase in Type B (Online) requests is in line with the business plan. These provide direct access to services for members increasing the turnaround time for them and allowing the team to concentrate on the more complex requests received.

7. RISK MANAGEMENT AND INSURANCE

- 7.1 The approved priorities for 2015/2016 were:-
- To deliver Risk Workshops for managers from summer onwards to enable risk registers to be updated in response to the 'Decant' from TAC.
 - To facilitate the continued implementation of the Information Governance Framework by:-
 - Providing advice and guidance in relation to the retention and disposal of information as a priority as part of the 'Big TAC Tidy Up';
 - Keeping the framework up to date with any new guidance issued by the Information Commissioners Office;
 - Introducing a series of internal reviews across the Council to ensure compliance with procedures and guidance.
 - To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with a capability to provide knowledge and information should a major incident occur.
 - To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.
- 7.2 With regards to Information Governance, resources were directed towards training during the last few months of 2015/16 to ensure that all staff completed the On-Line Data Protection at Work and the Responsible for Information E-Tutorials via the Virtual College Training System before the contract ended on 31 March 2016. The data is currently being analysed and verified before it is reported back to the Information Governance Group and the Senior Management Team and used to inform future training needs.
- 7.3 Information was finalised for the insurance renewal process in the last quarter and renewal terms were offered and agreed by the deadline of 30 March 2016.
- 7.4 Progress was delayed in terms of reviewing the risk management and business continuity processes for the Council as the Risk and Insurance Manager transferred to the Greater

Manchester Public Service Reform Team on secondment. This will be carried forward as a priority for 2016/17.

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

8. PERFORMANCE INDICATORS

- 8.1 The performance of the section is monitored in a variety of ways and a number of indicators have been devised to enable comparisons between financial years and between similar organisations. Formal benchmarking using the Chartered Institute of Public Finance and Accountancy has not taken place for a number of years due to budget cuts and capacity, however, this is being reviewed by the North West Chief Audit Executive Group to determine if a small number of key performance indicators could be compared locally.
- 8.2 The Key Performance Indicators for Internal Audit for 2015/16 are detailed in Table 9 below and they are compared to the two previous years 2014/15 and 2013/2014. All five performance indicators have been achieved.

Table 9 - Key Performance Indicators 2014/15

	INDICATOR	TARGET	15/16	14/15	13/14	Comments
1	Compliance with Public Sector Internal Audit Standards	100%	100%	100%	100%	Target Achieved
2	% of Plan Completed	90%	94%	92%	93%	Target Achieved
3	Customer Satisfaction (per questionnaires)	90% of customers "satisfied ≥ 65%"	95%	100%	93%	Target Achieved
4	% Recommendations Implemented	90%	92%	92%	95%	Target Achieved
5	No. of Irregularities Reported/Investigated	Downward trend	14	19	6	Target Achieved

- 8.3 The aspiration for the team is that the targets are met and exceeded wherever possible however, it must be acknowledged that the measures used are not fully within the control of the team as explained below.
- 8.4 With regards to the Percentage of Plan Complete this a volatile indicator and affected by the timing of audits, staff availability in both internal audit and services areas to support the audit, reactive work (irregularities) and the timing of in year priority requests. Whilst every effort is made to ensure that the planned work is delivered, a surge in reported irregularities can adversely affect this, as it is important to provide a responsive service and divert staff from planned work to reactive work.
- 8.5 The Percentage of Recommendations Implemented indicator whilst demonstrating that the standard and quality of recommendations made are acceptable, their implementation is the

responsibility of management and delays can occur for example due to lack of capacity, new systems and service redesigns.

- 8.6 The number of Irregularities Reported/Investigated has decreased from nineteen to fourteen, however this is a reactive indicator and not within the team's control.
- 8.7 The effectiveness of the team in terms of adding value to the Council is an important element of the role of internal audit (as per the definition outlined in section 1.1) and the service as a whole, however, it is extremely difficult to use quantitative indicators to measure this performance. Added value is demonstrated by the variety of work undertaken above, the responsive and flexible approach adopted, the positive comments and feedback received from auditees and the opinion of our External Auditors that they can place reliance on the work of Internal Audit.
- 8.8 The process and procedures in place within Internal Audit are continually reviewed and during 2015/16, the Quality Control Checklist was revised to ensure that the steps built into the audit process to obtain sign off from the relevant Assistant Executive Director before a final report is issued was documented.
- 8.9 As reported earlier on the agenda the service is compliant with the Public Sector Internal Audit Standards (PSIAS) and as required, it is confirmed that the Internal Audit Team/Function has continued to remain independent of any non-audit operational responsibilities during 2015/16.

9. AUDIT OPINION BASED ON RESULTS OF 2015/16 ACTIVITY



- 9.1 Overall the Head of Risk Management and Audit can provide assurance that the Authority's governance, risk and control framework is generally sound and operated reasonably consistently. No significant control issues were identified in the year. This opinion is based on the work of the Risk Management and Audit Service Unit carried out between April 2015 and March 2016 as detailed above.
- 9.2 It has to be accepted that the gross risk for the Council has increased in recent years (as we have reduced capacity while still having to deliver a significant change programme to meet our financial challenges). The finding of our work is that controls are in place to mitigate these risks and where improvements have been highlighted, managers have agreed to implement the suggested recommendations. This will aid the management of risks and support the overall control environment.

10. RECOMMENDATION

- 10.1 Members note the report.

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Agenda Item 9.

Report To:	AUDIT PANEL
Date:	31 May 2016
Reporting Officer:	Ian Duncan – Assistant Executive Director (Finance) Wendy Poole – Head of Risk Management and Audit Services
Subject:	ANNUAL GOVERNANCE REPORT 2015/16
Report Summary:	<p>To present the Governance Report comprised of the three elements below for comment, challenge and approval:</p> <ol style="list-style-type: none">1. The Draft Annual Review against the Code of Corporate Governance for 2015/16 (Appendix 1).2. The Draft Annual Governance Statement for 2015/16 (Appendix 2).3. The Draft Code of Corporate Governance for 2016/19 (Appendix 3).
Recommendations:	<ol style="list-style-type: none">1. That Panel Members consider and approve the:<ul style="list-style-type: none">• Draft Annual Review against the Code of Corporate Governance for 2015/16.• Draft Annual Governance Statement for 2015/16.• Draft Code of Corporate Governance for 2016/19.2. Delegate authority to the Assistant Executive Director (Finance) in consultation with the Chair to make further amendments to the Draft Annual Governance Statement upon receipt of further comments from the Executive Cabinet ahead of it being provided to External Audit in June.
Links to Community Strategy:	Demonstrates proper Corporate Governance.
Policy Implications:	Demonstrates proper compliance with the Accounts and Audit Regulations 2015.
Financial Implications: (Authorised by the Borough Treasurer)	Sound corporate governance and proper systems of internal control are essential for the long-term financial health and reputation of the Council.
Legal Implications: (Authorised by the Borough Solicitor)	The production of the Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015.
Risk Management:	The statement provides assurance that the Council has a sound system of corporate governance in place. It is considered to be an important public expression of how the Council directs and controls its functions and relates to its community.
Access to Information:	<p>The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:</p> <p> Telephone: 0161 342 3846</p> <p> e-mail: wendy.poole@tameside.gov.uk</p>

1. INTRODUCTION

- 1.1 Corporate Governance is the system by which the Council directs and controls its functions and relates to its community. This is the means by which sound and ethical practice can be assured and unacceptable practice identified and eradicated. Historically there has been a general recognition that all local authorities should be seen to meet the highest standards and governance arrangements that should not only be sound but need to be seen to be sound by the public.
- 1.2 The issues faced by local authorities in recent years reflecting social, economic, and legislative change have led to new, diverse ways of working as opposed to traditional roles. The common theme that continues to run through Government initiatives is the need for local authorities to review the various systems and processes they have in place for managing both their internal affairs and their relationships with their expanding number of key stakeholders. Together these systems comprise corporate governance.

2. CORPORATE GOVERNANCE REQUIREMENTS

- 2.1 The Framework *Delivering Good Governance in Local Government*, published by the Chartered Institute of Public Finance and Accountancy in association with Society of Local Authority Chief Executives in 2007 and updated in 2012, sets the standard for local authority governance in the UK. The Framework urges local authorities to review and report on the effectiveness of their governance arrangements.
- 2.2 An updated version of *Delivering Good Governance in Local Government* – (comprising of the Framework and a Guidance Note) was published at the end of April 2016 and becomes effective for 2016/17.
- 2.3 The main principle underpinning the development of the new *Delivering Good Governance in Local Government: Framework (2016)* ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 2.4 The Annual Governance Statement for 2015/16 and the Review against the Code of Corporate Governance for 2015/16 are governed by the 2012 Framework, whilst going forward the Code of Corporate Governance will need to be approved based on the 2016 Principles.
- 2.5 The core principles of the 2016 Framework are: -
 - Behaving with integrity, demonstrating strong commitment to ethical standards and respecting the rule of law;
 - Ensuring openness and comprehensive stakeholder engagement;
 - Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - Determining the intervention necessary to optimise the achievement of the intended outcomes;
 - Developing the entity's capacity including the capability of its leadership and the individuals within it;
 - Managing risks and performance through robust internal control and strong public financial management; and

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

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

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

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

3. ANNUAL REVIEW AGAINST THE CODE OF CORPORATE GOVERNANCE

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

3.2 The document was circulated to the Senior Management Team for review during April/May and the draft annual review for 2015/16 incorporating all comments received is detailed at **Appendix 1**.

4. ANNUAL GOVERNANCE STATEMENT

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

4.2 The Draft Annual Governance Statement for 2015/16 which has been drawn up using the guidance contained within *Delivering Good Governance in Local Government* - Framework (2007) and the Addendum and Guidance Note issued in 2012 is attached at **Appendix 2** for consultation and challenge.

4.3 The Annual Governance Statement is a corporate statement and covers both Tameside and the Greater Manchester Pension Fund and therefore the Director of Pensions has signed and

returned the Assurance Letter for 2015/16 and a completed the AGS Self-Assessment Checklist.

4.4 The Annual Governance Statement is based on:-

- AGS Self-Assessment Checklists and signed Assurance Statements
- Head of Audit's Annual Report
- ET Budget Assurance Statements
- Review of Internal Audit
- Annual Audit Letter
- Role of the Chief Financial Officer
- Role of the Head of Internal Audit
- Corporate Plan
- Statutory Inspections

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

4.6 The Draft Annual Governance Statement 2015/16 has been presented to the Senior Management Team and their comments have been incorporated into the document, together with those received from Policy and Communications.

5. CODE OF CORPORATE GOVERNANCE

5.1 The Code of Corporate Governance has been updated taking into account the requirements outlined in the Chartered Institute of Public Finance and Accountancy in association with Society of Local Authority Chief Executives Delivering Good Governance Framework of 2016 published in April and is attached at **Appendix 3**.

6. EXECUTIVE CABINET

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

7. EXTERNAL AUDIT

7.1 The Draft Annual Governance Statement incorporating all updates will be signed off by the Assistant Executive Director (Finance) by 10 June for submissions to Grant Thornton (External Auditors) as it needs to accompany the Draft Statement of Accounts.

7.2 The final version incorporating any comments from Grant Thornton will be presented to the Overview (Audit) Panel on 12 September for approval. It will then be signed by the Executive Leader and the Chief Executive and presented formally to Grant Thornton. Until this date the Annual Governance Statement is a live document and needs to be updated for any issues that come to light affecting the governance arrangement in place.

8. RECOMMENDATIONS

8.1 As set out on the front of the report.

**DRAFT
ANNUAL REVIEW
AGAINST THE
CODE OF
CORPORATE GOVERNANCE
2015/2016**

PRINCIPLE 1

<p>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas:</p> <ul style="list-style-type: none"> • Exercising strategic leadership by developing and clearly communicating the authority’s purpose and vision and its intended outcome for citizens and users • Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning • Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money
<p>The function of governance is to ensure that authorities, other local government organisations or connected partnerships fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. Local government bodies need to develop and articulate a clear vision of their purpose and intended outcomes for citizens and service users that are clearly communicated, both within the organisation and to external stakeholders.</p>

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Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work Ongoing
Exercising strategic leadership by developing and clearly communicating the authority’s purpose and vision and its intended outcome for citizens and users	<ul style="list-style-type: none"> • Develop and promote the authority’s purpose and vision 	Corporate Plan GM Combined Authority People and Places Scorecard Tameside Health and Wellbeing Board Service Delivery Plans/Risk Registers Joint Strategic Needs Assessment Joint Health and Wellbeing Strategy Big Conversation Corporate Equality Scheme Executive Leader’s Annual Key Note Address Public Health Annual Report Tameside Integrated Needs Assessment Tameside Citizen Council Website Corporate Delivery Team Vision Tameside Tameside Prosperous Board Apprenticeships stakeholder group Tameside learning provider network Raising Participation Age network.	Care Together

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work Ongoing
		Hattersley Land Board Chief Executive's Brief The Wire, Twitter, Facebook and Instagram GMPF Website GMPF Funding Strategy Statement Awards (Pride of Tameside/Innovation Awards) Local Education Partnership Education Attainment Improvement Board e-News Locality Plan Commissioning for Reform Strategy	
	<ul style="list-style-type: none"> Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements 	Annual review of Constitution Monitoring the Delivery of the People and Places Scorecard Service Delivery Plans / Performance Indicators Tameside Health and Wellbeing Board Corporate Delivery Team Chief Executive's Brief Executive Member meetings with Senior Managers Board Business/Development Sessions Corporate Equality Scheme Executive Leader's Annual Key Note Address Hattersley Land Board Annual Budget Consultation GMPF Annual Report and Annual General Meeting with Employers LGC Council of the Year 2016 Single Commissioning Strategy	Care Together
	<ul style="list-style-type: none"> Ensure that partnerships are underpinned by a common vision of their work that is 	GM Combined Authority Financial Regulations	Care Together

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work Ongoing
	<p>understood and agreed by all partners</p>	<p>Local Investment Partnership Health and Well Being Board Tameside Safeguarding Children Board Tameside Adults Safeguarding Partnership Performance Management Framework/Managing Performance Toolkit (MPT) Communication Strategy Co-Located Partnership Teams Local Education Partnership Education Attainment Improvement Board Tameside Prosperous Board Apprenticeships stakeholder group Tameside learning provider network Raising Participation Age network. Hattersley Land Board GM Strategy AGMA PSR Strategic Group Public Service Hub – Co-located Partnership to manage complex dependency Strategic Neighbourhood Partnership Domestic Abuse Steering Group Single Commissioning Function Single Commissioning Strategy</p>	
	<ul style="list-style-type: none"> Publish an annual report on a timely basis to communicate the authority’s activities and achievements, its financial position and performance 	<p>Statement of Accounts Tameside Citizen Annual Audit Letter The Wire Twitter, Facebook and Instagram People and Places Scorecard Corporate Plan Joint Strategic Needs Assessment</p>	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work Ongoing
		Tameside Integrated Needs Assessment Executive Leader's Annual Key Note Address GMPF Annual Report LGC Council of the Year 2016	
Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	<ul style="list-style-type: none"> Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available 	Corporate Plan Service Delivery Planning Performance Management Framework/Managing Performance Toolkit (MPT) Peer Challenge Joint Strategic Needs Assessment Tameside Integrated Needs Assessment Tameside Challenge Framework Tameside Health and Wellbeing Board Corporate Performance Group Budget Monitoring Corporate Equality Scheme Education Attainment Improvement Board Outcomes Framework/Q.A.F for Supporting People Big Conversation Twitter, Facebook and Instagram Customer Service Excellence/GMPF Pensioner Forum Executive Team/Senior Management Team Children in Care Council Carers Strategy Group TASP TSCB Public Health Outcomes Framework	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work Ongoing
	<ul style="list-style-type: none"> Put in place effective arrangement to identify and deal with failure in service delivery 	Public Health Annual Report Commissioning for Reform Strategy Corporate Complaints System Performance Management Framework/ People and Places Scorecard Education Attainment Improvement Board Childrens Safeguarding Board Quality Assurance and Performance Management Group	
Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money	<ul style="list-style-type: none"> Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions 	Performance Indicators/Unit Costs Procurement Strategy External Auditor's Audit Letter/Financial Resilience Report Inspectorate Reports Scrutiny Panels Big Conversation Peer Review Risk Management and Audit Service Redesign/Reviews Benchmarking Awards (Pride of Tameside/Innovation) Customer Contact and Care Strategy Community Funding/Grants GMPF Solvency Level Cost Benefits Calculator	

PRINCIPLE 2

<p>Members and officers working together to achieve a common purpose with clearly defined functions and roles:</p> <ul style="list-style-type: none"> • Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function • Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard • Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of each other
<p>The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government the governing body is the full council or authority. Further information on the structure and roles of the local authority governing bodies is included in the guidance notes to this framework</p>

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Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	<ul style="list-style-type: none"> • Set out a clear statement of the respective roles and responsibilities of the executive and the executive's members individually and the authority's approach towards putting this into practice 	Council Constitution Minutes of Meetings	
	<ul style="list-style-type: none"> • Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers 	Council Constitution Job Evaluation Questionnaires Job Descriptions/Person Specifications	
Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard	<ul style="list-style-type: none"> • Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required 	Council Constitution Annual Update Report to Council AGM.	
	<ul style="list-style-type: none"> • Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management 	Council Constitution Scheme of Delegation Job Descriptions/Person Specification Conditions of Employment	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
		Performance Indicators Regulatory Statutory Framework GMPF Governance Policy Statement	
	<ul style="list-style-type: none"> Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained 	Council Constitution Job Descriptions/Person Specifications Member/Officer Protocol Member/Officer Codes of Conduct	
	<ul style="list-style-type: none"> Make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records, and for maintaining an effective system of internal financial control 	Accounts and Audit Regulations 2015 Local Government and Housing Act 1989 - Section 151 Responsibilities Section 151 Officer Protocol Council Constitution Financial Regulations Job Description/Person Specification CIPFA Statement on the Role of the Chief Financial Officer Statutory Reports Medium Term Financial Strategy Risk Management and Audit Financial implications on reports Budget Assurance Statements and Service Delivery Plans Assurance Self-Assessment Checklist for the Annual Governance Statement Pay and Conditions of Service	
	<ul style="list-style-type: none"> Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with 	Monitoring Officer Legislation Local Government and Housing Act 1989 – Section 5 Council Constitution Monitoring Officer Protocol Job Description/Person Specification Annual Development Reviews	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
		Pay and Conditions of Service Assurance Self-Assessment Checklist for the Annual Governance Statement Weekly bulletins disseminated to SUM's and Senior Managers from the Borough Solicitor	
Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of each other	<ul style="list-style-type: none"> Develop protocols to ensure effective communication between members and officers in their respective roles 	Member/Officer Protocol Member/Officer Codes of Conduct Board Board Business/Development Days Executive Member Briefings Member Training	
	<ul style="list-style-type: none"> Set out terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable) 	Members Allowances Scheme Independent Remuneration Panel Pay-Scales Contracts of Employment	
	<ul style="list-style-type: none"> Ensure that effective mechanisms exist to monitor service delivery 	People and Places Scorecard Tameside Strategic Neighbourhood Partnership Annual Report of Scrutiny Panels PIP - Partnership Information Portal Joint Strategic Needs Assessment Tameside Integrated Needs Assessment Tameside Insight The Wire, Twitter, Facebook and Instagram Safe and Sound Decision Making Framework and Training Service Delivery Plans Corporate Plan Corporate Equality Scheme	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
		Budget Monitoring Reports to ET/Board Strategic Planning and Capital Monitoring Panel Service Reviews Quarterly Performance Monitoring Corporate Complaints Procedure External Regulatory Inspections Local Education Partnership Education Attainment Improvement Board GMPF Local Board	
	<ul style="list-style-type: none"> Ensure that the organisations vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other stakeholder, and that they are clearly articulated and disseminated 	GM Combined Authority Corporate Plan Executive Leader's Annual Key Note Address Joint Health and Wellbeing Strategy Local Investment Partnership Tameside Safeguarding Children Board Tameside Adults Safeguarding Partnership Service Delivery Plans Safe and Sound Decision Making Framework and Training Corporate Equality Scheme Town Teams Tameside Prosperous Board Apprenticeships stakeholder group Tameside learning provider network Raising Participation Age network. Tameside Strategic Neighbourhood Partnership Co-Located Partnership Teams People and Places Scorecard Joint Strategic Needs Assessment	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
		Tameside Integrated Needs Assessment Education Attainment Improvement Board Tameside Health and Wellbeing Board Big Conversation Service based consultation and engagement Twitter, Facebook and Instagram Peer Challenge GMPF Pensioner Forum Local Education Partnership Single Commissioning Board Single Commissioning Strategy	
	<ul style="list-style-type: none"> When working in partnership. Ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and the authority 	Financial Regulations Tameside Safeguarding Children Board Tameside Adults Safeguarding Partnership Complex Dependency Steering Group Tameside Health and Wellbeing Board Education Attainment Improvement Board Member Training Strategic Partnering Agreement PFI/BSF Project Agreements Tameside Prosperous Board Apprenticeships stakeholder group Tameside learning provider network Raising Participation Age network	Health Integration
	<ul style="list-style-type: none"> When working in partnership: <ul style="list-style-type: none"> ➤ Ensure that there is clarity about the legal status of the partnership ➤ Ensure that representatives of organisations 	GM Combined Authority Partnership Agreements Financial Regulations Memorandum of Understanding with CCG	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
	both understand and make clear to all partners the extent of their authority to bind their organisation to partner decisions		

PRINCIPLE 3

Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance
- Ensuring that organisational values are put into practice and are effective

Good governance flows from a shared ethos or culture. As well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated by behaviour.

Good governance builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in Public Life, known as the Nolan principles. In England the Local Government Act 2000 outlined ten principles of conduct – an additional three to those identified by Nolan – for use in local government bodies. The Nolan seven principles and additional three principles are included in the guidance notes accompanying this Framework.

A hallmark of good governance is the development of shared values, which become part of the organisation’s culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. These are in addition to compliance with legal requirements on, for example equal opportunities and anti-discrimination.

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Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	<ul style="list-style-type: none"> • Ensure that the authority’s leadership sets a tone for the organisation by creating a climate of openness, support and respect 	Member/Officer Codes of Conduct Leadership Programme STRIVE Leadership Development Programme Coaching Programme Member/Officer Protocol Chief Executive’s Brief Annual Development Reviews/GEAR Team Briefs Safe and Sound Decision Making Framework and Training Corporate Equality Scheme Corporate Delivery Team Sessions Whistleblowing Policy Mayoral Celebrations Tameside Values	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
	<ul style="list-style-type: none"> Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols 	Standards Committee Member/Officers Code of Conduct Anti-Fraud, Bribery and Corruption – Statement of Intent Corporate Complaints Procedure Standards Committee Standards Panel The Wire Chief Executives Brief Corporate Equality Scheme Officer/Member Protocol Employee Code of Conduct Induction Process Contracts of Employment	
	<ul style="list-style-type: none"> Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice 	Member/Officer Codes of Conduct Register of Member Interests Financial Regulations Procurement Standing Orders Equal Opportunities Policy Anti-Fraud, Bribery and Corruption Strategy – Statement of Intent GMPF Funding Strategy Statement Whistleblowing Policy Contracts of Employment Employee Declaration Forms	
Ensuring that organisational values are put into practice and are effective	<ul style="list-style-type: none"> Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners 	Member/Officer Codes of Conduct Annual Development Reviews/GEAR Leadership Programme STRIVE Leadership Development Programme Chief Executives Brief The Wire, Twitter, Facebook and Instagram Coaching Programme	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
		Executive Leader's Annual Key Note Address Training Plans Employee Survey Corporate Delivery Team Sessions Customer Service Excellence Tameside Values	
	<ul style="list-style-type: none"> Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice 	Member/Officer Codes of Conduct Standards Panel Standards Committee Scrutiny Internal Audit Local Investigation Regulations Employee Code of Conduct Service Delivery Planning Audit Panel/GMPF Local Board and Working Groups Equalities Summaries Safe and Sound Decision Making Framework and Training Corporate Equality Scheme Equality Impact Assessments	
	<ul style="list-style-type: none"> Develop and maintain an effective standards committee 	Standards Committee Terms of Reference in the Council Constitution	
	<ul style="list-style-type: none"> Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority 	Council Constitution Member/Officer Protocols Forward Plan Procurement Standing Orders Scheme of Delegation Safe and Sound Decision Making Framework and Protocol Corporate Equality Scheme Board/Cabinet Meetings	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
	<ul style="list-style-type: none"> In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively 	Key/Executive Decisions People and Places Scorecard Safe and Sound Decision Making Framework and Training Corporate Equality Scheme Local Investment Partnership Performance Management Framework Local Education Partnership Education Attainment Improvement Board Health and Wellbeing Board	

PRINCIPLE 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risks

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- Ensuring that an effective risk management system is in place
- Using their legal powers to the full benefit of the citizens and communities in their area

Decision making within a good governance framework is complex and challenging. It must further the organisation’s purpose and strategic direction and be robust in the medium and longer terms. To make such decisions, authority members must be well informed.

Members making decisions need the support of appropriate systems, to help to ensure that decisions are implemented and that resources are used legally and efficiently.

Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective.

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Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	<ul style="list-style-type: none"> • Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority’s performance overall and that of any organisation for which it is responsible 	Scrutiny Function Scrutiny Annual Reports Scrutiny Panels Scrutiny Work Programmes Reports published on the Website GMPF Local Board Peer Challenge Quarterly monitoring of People and Places Scorecard Performance monitoring through Joint Strategic Needs Assessment process	
	<ul style="list-style-type: none"> • Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based 	Agendas and Minutes available on website – including reports Supporting Reports reviewed by both the Executive Director – Governance and Executive Director – Finance Safe and Sound Decision Making	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
	<ul style="list-style-type: none"> Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints 	Framework and Training Member/Officer Codes of Conduct Register of Member Interests Council Constitution Employee Declaration Forms Council Constitution Terms of Reference Audit Panel GMPF Local Board Corporate Complaints System Twitter, Facebook and Instagram	
Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	<ul style="list-style-type: none"> Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately 	Agenda/Minutes and supporting reports Legal and Financial Implications on all reports are reviewed by both the Executive Directors of Governance and Finance Board/Cabinet papers Safe and Sound Decision Making Framework and Training Corporate Equality Scheme All reports to Panels/Board/Cabinet etc are reviewed by both the Executive Director – Governance and Executive Director – Finance and have legal and financial comments added to them Agenda Timetable Safe and Sound Decision Making Framework and Training	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
Ensuring that an effective risk management system is in place	<ul style="list-style-type: none"> 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 job 	Risk Management Policy and Strategy Risk Management Guidance and Risk Register Template Information Governance Framework Strategic/Corporate Risks Internal Audit Reports Risk Management Implications included on all reports to Panels/Board/Cabinet etc Risk Workshops Information Asset Review Workshops Risk Management Training Risk Assessments Risk Training e.g. - Managing and Working Safely courses Mandatory Data Protection E-Learning Module Information Governance Group Business Continuity Plans GMPF Funding Strategy Statement	
	<ul style="list-style-type: none"> Ensure that effective arrangements for whistle blowing are in place to which officers, staff and all those in contracting with or appointed by the authority have access. 	Whistleblowing Policy available on the Internet E-Learning Training Fraud Response Procedure	
Using their legal powers to the full benefit of the citizens and communities in their area	<ul style="list-style-type: none"> Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities 	Monitoring Officer Council Constitution Trained and Professionally Qualified Officers	
	<ul style="list-style-type: none"> Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities 	Monitoring Officer Review of reports by Executive Director – Governance and Executive Director – Finance	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
	placed on authorities by public law	Trained and Professionally Qualified Officers Council Constitution	
	<ul style="list-style-type: none"> • Observe all specific legislative requirements placed upon them, as well as the requirement of general law, and in particular to integrate the key principles of good administrative law - rationality, legality and natural justice – into their procedures and decision making processes 	Council Constitution Monitoring Officer Trained and Professionally Qualified Officers Weekly legal update from Executive Director – Governance (Borough Solicitor) to SUM's and above Safe and Sound Decision Making Framework and Training Corporate Equality Scheme	

PRINCIPLE 5

<p>Developing the capacity and capability of members and officers to be effective</p> <ul style="list-style-type: none"> • Making sure that members and officers have their skills, knowledge, experience and resources they need to perform well in their roles • Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group • Encouraging new talent for membership of the authority so that best use can be made of individual's skills and resources in balancing continuity and renewal
<p>Effective local government relies on public confidence in authority members, whether elected or appointed, and in officers. Good governance strengthens credibility and confidence in our public services.</p> <p>Authorities need people with the right skills to direct and control them effectively. Governance roles and responsibilities are challenging and demanding, and authority members need the right skills for their roles. In addition, governance is strengthened by the participation of people with many different types of knowledge and experience.</p> <p>Good governance means drawing on the largest possible pool of potential members to recruit people with the necessary skills. Encouraging a wide range of people to stand for election or apply for appointed positions will develop a membership that has a greater range of experience and knowledge. It will also help to increase the social class, life experience, gender and disability. This concept should also be borne in mind when members are appointed to the boards of other public service organisations.</p>

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
<p>Making sure that members and officers have their skills, knowledge, experience and resources they need to perform well in their roles</p>	<ul style="list-style-type: none"> • Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis 	<p>Councillor/Officer Induction Full Member Training Programme Members Training needs assessments Corporate Training programme Annual Development Reviews/GEAR Regular supervision/1-2-1 Members/Staff Portals Cabinet and Scrutiny Support Units Employee Survey Customer Service Excellence Service Delivery Plans Large scale training programmes on National initiatives Mandatory E Learning Modules Leadership Programme STRIVE Leadership Development Programme</p>	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
	<ul style="list-style-type: none"> Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority 	Corporate Delivery Team Sessions Continual Professional Development Job Descriptions Person Specifications Annual Development Reviews/GEAR Regular supervision/1-2-1 Team Briefs Scheme of Delegation Staff Portal Continual Professional Development regulations for professionally qualified staff Mandatory E Learning Modules Corporate Delivery Team Sessions Leadership Programme STRIVE Leadership Development Programme	
Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group	<ul style="list-style-type: none"> Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively 	Annual Development Reviews/GEAR GEAR – Skills Questionnaire Training Plans/Programmes Mandatory E Learning Modules Member training needs assessment Member Induction Service Delivery Plans/Risk Registers Employee Survey Member/Officer Development Programme Training for GMPF Panel and Board Members Leadership Programme	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
		STRIVE Leadership Development Programme Coaching Programme	
	<ul style="list-style-type: none"> Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed 	Member Training Officer/Staff Training Peer Challenge Supervision/1-2-1 Further Education/Continual Professional Development Tameside Manager Programme Leadership Programme Strive Leadership Development Programme Annual Development Reviews/GEAR Corporate Delivery Team Sessions	
	<ul style="list-style-type: none"> Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs 	Member training needs assessment Council Constitution Review meetings held with Executive Members Scrutiny arrangements Peer Challenge Board Business/Development Days ET/SMT Development Days Elections Employee Survey LGC Council of the Year 2016	
Encouraging new talent for membership of the authority so that best use can be made of individual's skills and resources in balancing continuity and renewal	<ul style="list-style-type: none"> Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority 	Town Teams Tameside Prosperous Board Apprenticeships stakeholder group Tameside learning provider network Raising Participation Age network. Youth Council Co-Located Partnership Teams Big Conversation	

APPENDIX 1

Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
		<p>Tameside Engagement Strategy Equal Opportunities Policy Corporate Equality Scheme Awards e.g. Pride of Tameside Awards/Innovation Awards People and Places Scorecard Annual Budget Consultation Twitter, Facebook and Instagram Joint Strategic Needs Assessment Tameside Integrated Needs Assessment Executive Leader’s Annual Key Note Address Scrutiny Newsletter Customer Service Excellence GMPF Pensioner Forums GMPF Member Newsletters Member’s Surgeries PACT – Partners and Communities Together Service specific consultation and engagement – Big Chat, Wellness, BSF, RIQ and Disabilities Conference Regeneration Partnerships</p>	
	<ul style="list-style-type: none"> Ensure that career structures are in place for members and officers to encourage participation and development 	<p>People Strategy Annual Development Reviews/GEAR Member Development Training Plans Leadership Programme STRIVE Leadership Development Programme Coaching Programme Corporate Delivery Team Sessions Employee Survey</p>	

PRINCIPLE 6

<p>Engaging with local people and other stakeholders to ensure robust public accountability</p> <ul style="list-style-type: none"> • Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountable relationships • Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning • Making best use of human resources by taking an active and planned approach to meet responsibility to staff
<p>Local government is accountable in a number of ways. Elected local authority members are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to annual review through the external audit of their financial statements. They are required to publish their financial statements and are encouraged to prepare an annual report. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene. Both members and officers are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the ombudsman.</p>

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Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
<p>Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountable relationships</p>	<ul style="list-style-type: none"> • Make clear to themselves, all staff and the community to whom they are accountable and for what 	<p>Council Constitution Overview (Audit) Panel Scrutiny Panels Partnership Agreements District Assemblies Town Teams GMPF Local Board Tameside Prosperous Board Apprenticeships stakeholder group Tameside learning provider network Raising Participation Age network. Health and Wellbeing Board Annual Scrutiny Report Council Website Elections Executive Leader’s Annual Key Note Address Tameside Citizen</p>	

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Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
		Co-Located Partnership Teams GMPF Annual Report GMPF Annual General Meeting GMPF Local Board Hattersley Land Board Safe and Sound Decision Making Framework and Training	
	<ul style="list-style-type: none"> Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required 	People and Places Scorecard Tameside Investment Partnership Regeneration Partnerships Health and Wellbeing Board Membership of Regional Bodies e.g. AGMA Children and Young People's Plan Local Education Partnership Education Attainment Improvement Board	
	<ul style="list-style-type: none"> Produce an annual report on the activity of the scrutiny function 	Scrutiny Annual Report Scrutiny Webpages GMPF Local Board	
Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	<ul style="list-style-type: none"> Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively 	Tameside Engagement Strategy Big Conversation Tameside Citizen Peer Challenge Twitter, Facebook and Instagram People and Places Scorecard Joint Strategic Needs Assessment Tameside Integrated Needs Assessment Annual Development Reviews/GEAR Employee Survey Customer Service Excellence District Assemblies Town Teams	

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Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
		Tameside Prosperous Board Apprenticeships stakeholder group Tameside learning provider network Raising Participation Age network. Co-Located Partnership Teams Public Health Annual Report Executive Leader's Annual Key Note Address TMBC Website Service Specific Consultation/ Engagement Care Council	
	<ul style="list-style-type: none"> • Hold meetings in public unless there are good reasons for confidentiality 	Council Constitution – Access to Information Procedure Rules	
	<ul style="list-style-type: none"> • Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that sections of the community have different priorities and establish explicit processes for dealing with these competing demands 	People and Places Scorecard Joint Strategic Needs Assessment Tameside Integrated Needs Assessment Annual Budget Consultation Twitter, Facebook and Instagram Big Conversation Medium Term Financial Strategy Safe and Sound Decision Making Framework and Training Corporate Equality Scheme Procurement Strategic Plan District Assemblies Town Teams Tameside Prosperous Board Apprenticeships stakeholder group Tameside learning provider network Raising Participation Age network. Corporate Plan Tameside Health and Wellbeing Board	

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Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
		Strategic Planning and Capital Monitoring Panel Co-Located Partnership Teams Service Specific Consultation/Engagement Events Executive Leader's Annual Key Note Address GMPF Pensioner Forum GMPF Member Newsletter Local Education Partnership	
	<ul style="list-style-type: none"> Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result 	Consultation and Engagement Strategy Big Conversation Safe and Sound Decision Making Framework and Training Corporate Equality Scheme Tameside Citizen Twitter, Facebook and Instagram Council Website Annual Report Public Health Annual Report Joint Health and Wellbeing Strategy Executive Leader's Annual Key Note Address Social Media (Facebook and Twitter) Scrutiny Reports	
	<ul style="list-style-type: none"> On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period 	Corporate Plan Statement of Accounts Annual Report in Tameside Citizen Executive Leader's Annual Key Note Address LGC Council of the Year 2016	
	<ul style="list-style-type: none"> Ensure that the authority as a whole is open 	Council Constitution	

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Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
	<p>and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to those specific circumstances where it is proper and appropriate to do so</p>	<p>Freedom of Information Act Publication Scheme Big Conversation Twitter, Facebook and Instagram Transparency Payments Monitoring Officer Protocol Whistleblowing Policy GMPF Statement of Communications Policy Gifts and Hospitality Policy Corporate Plan District Assemblies Council Website Corporate Equality Scheme Corporate Complaints Procedure Annual Budget Consultation GMPF Forums/Newsletters</p>	

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Supporting Principles	The local code should reflect the requirement for local authorities to:	Compliance Evidenced By:- Source Documents /Processes	Additional Work to achieve full compliance.
<p>Making best use of human resources by taking an active and planned approach to meet responsibility to staff</p>	<ul style="list-style-type: none"> Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making 	<p>Minutes of Meetings Team Briefings Member/Officer Protocols Scheme of Delegation Safe and Sound Decision Making Framework and Training Staff Portal Council Constitution Corporate Delivery Team Sessions Annual Development Reviews/GEAR Employee Survey The Wire, Twitter, Facebook and Instagram Trade Union Protocols Employer/Employee Consultation Group Service Delivery Planning Chief Executives Brief</p>	

Draft
Annual Governance Statement
2015/2016

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

1. Scope of Responsibility

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

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

This governance statement explains how we have followed the code and the requirements of the Accounts and Audit (England) Regulations 2015.

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

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

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

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

2. The Purpose of the Governance Framework

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

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

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

The governance framework has been in place at the Council for the year ended 31 March 2015, and up to the date of approval of the annual accounts.

3. The Governance Framework

Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users

The Council needs to set out a clear vision that members, employees and the public can identify with and help deliver as public services are changing rapidly due to new legislation and funding cuts. The vision detailed below is set out in the Corporate Plan 2016 – 21.

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

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

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

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

The landscape the Council operates in has changed significantly over the last 5 years and this has impacted significant on how the Council delivers against its objectives. The Spending Review in 2010 and 2015, the Local Government Finance Settlement and key legislation like the Localism Act and the Care Act have all had implications for the work of the Council.

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

- Ongoing engagement between the Council and local people;
- Budget Consultation 2014 and 2015
- Big Conversation – service specific consultations to inform service redesign
- Public Service Reform;
- Greater Manchester Devolution Agreement
- Greater Manchester Health & Social Care Devolution
- Care Together / Integrated Care Organisation (health and social care integration);
- Medium Term Financial Strategy;
- Vision Tameside.

The Tameside pledges are a commitment to deliver work on a number of priority areas that have been identified as being of importance to Tameside Residents. Each of the pledges is delivered through a bespoke programme of activity centring around areas that local residents tell us are important to them, such as supporting local businesses, cleaning up local grot spots and the improvement of recycling facilities. The pledges for 2016 are:

- Honour Our Fallen;
- Pothole Buster;
- Lots More Lighting;
- Generation Savers;
- Every Child a Coder;
- Get Connected;

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- Big clean Up;
- Get Tameside Growing;
- Woodland for Wildlife;
- Keeping it Green;
- Refresh Tameside Works first;
- Silver Surfers;
- Healthy Lives;
- Mind Your Health;
- Dementia Friendly Tameside;
- Do more Together

Reviewing the Council's vision and its implications for the Council's governance arrangements

Because we understand our community, the Council's goals have remained relatively constant for the last ten years that is to maximise the wellbeing and health of the people of the Borough. However giving the changing landscape reference above how the Council delivers against its priorities has evolved. There is a constant thread running from the vision in the Corporate Plan and the key service priorities. Sound corporate governance arrangements underpin the delivery of the vision. The Corporate Plan priorities are as follows:

People – Tameside residents to have the best possible opportunities to live healthy and fulfilling lives.

Place – Tameside is a great place to live and work and the Council will strive to make it even better.

Growth and Reform – Undertaking significant reforms taking demand out of the system, cutting costs while improving outcomes. Projects in this area will stimulate the economy, connect people, businesses and services, improve outcomes and provide our young people with the best opportunities in life.

Resources – The Council will use its resources such as money and people to get maximum benefit for communities in Tameside.

Grant Thornton our External Auditors in their Audit Findings (ISA260) Report for 2014/15 commented that. "The Council continues to have adequate governance arrangements in place. Through the business planning and budget setting process, the Council's financial environment and financial performance is understood by senior management and members are actively engaged in the process".

The Peer Challenge of 2014 recognised that the Council's key governance structures, including the Executive and arrangements like the Health and Wellbeing Board, are clear and appear to work well. The Peer Team heard consistently positive feedback from staff within the Council and external partner agencies on how leaders in the organisation communicate the change and aim to get staff involved.

Translating the vision into objectives for the Council and its partnerships

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

The Care Together Programme and the creation of an Integrated Care Organisation brings together Tameside and Glossop Clinical Commissioning Group ('the CCG'), Tameside Metropolitan Borough Council ('TMBC') and Tameside Hospital Foundation Trust ('THFT') to reform health and social care services to improve the health outcomes of our residents and reduce health inequalities.

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

The A+ Trust is a new model of school improvement. Educational attainment levels in Tameside go from strength to strength. 56% of pupils achieved 5 or more GCSEs at grades A*-C (including English and Maths) in the 2015 results. Tameside was the most improved local authority in the North West and the eleventh most improved in England. GCSE achievement in Tameside is now above the national average and the third best in the North West.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources and value for money

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

The Tameside Challenge Framework has five main elements. They are:-

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

In the absence of external inspection the Council commissioned a Corporate Peer Challenge via the Local Government Association and the final report was issued in June 2014. It reviewed:-

- Leadership and governance;
- Financial Viability;
- Organisational capacity;
- Economic growth; and
- Public service reform.

In the Executive Summary the review team concluded that:

“The council has a number of achievements on which it can continue to build. It has strong and stable political and managerial leadership. It has had a sound approach to financial management for a number of years which has stood it in good stead and enabled it to take early decisions to redesign services and manage the national public sector budget reductions. Frontline staff are proud, enthusiastic, energetic and a great asset to the council.”

Continual improvement has always been at the heart of the organisation and the results can be seen through our sustained record of achievement. In the External Auditor's Audit Letter dated October 2015, the Council received an unqualified value for money conclusion, which means that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources and to ensure proper stewardship and governance. The External Auditor noted that:

“The Council has been proactive in taking difficult decisions in relation to its cost base and continues to show strong financial resilience and good financial planning and management arrangements”.

The Value for Money conclusion assessed by External Audit is based on two criteria:-

- ***The Council has proper arrangements in place for securing financial resilience*** - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that

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- enables it to continue to operate for the foreseeable future.
- ***The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness*** - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The auditors use a red/amber/green rating to make their assessments and the definitions are as follows:

- Green – Adequate Arrangements
- Amber - Adequate arrangements with areas for development
- Red - Inadequate arrangements

All areas were assessed to be Green for 2014/15 which means that the External Auditor was satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Being recognised as the Local Government Chronicle Council of the Year for 2016 further demonstrates that the Council's ambition to improve the lives of Tameside residents is being achieved. Projects which particularly impressed the judges were; English Fine Cottons, Care Together, Vision Tameside, Ashton Old Baths, Tameside Investment Partnership, A+ Trust and education attainment and the Greater Manchester Pension Fund being named as Pension Fund of the Decade.

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

Greater Manchester Pension Fund is leading the way in investment and pooling innovation, particularly in the areas of housing and infrastructure development. Airport City is a joint venture between GMPF, Manchester Airport Group, Carillion and Beijing Construction Engineering Group. The partners are developing over 5 million square feet of hotels, offices, manufacturing, logistics and retail space directly adjacent to Manchester Airport, an ideal gateway to carry out business throughout the UK, Europe and the world. One St. Peter's is a £40 million investment in the heart of Manchester city centre.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the council and partnership arrangements

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

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

The constitution is reviewed and updated regularly and changes are disseminated across the Council via the Chief Executives Brief, The Wire and team briefings.

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

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

Members and Officers are governed by Codes of Conduct, Cabinet Portfolios, contracts of employment, employment rules and procedures, Professional Codes of Conduct and bound by the Constitution and Code of Corporate Governance.

The Council is committed to leading on and maintaining the highest standards of behaviour and in support of this hosts and chairs the National Anti-Fraud Network (NAFN). In addition to those mentioned above, documentation to eliminate corruption includes Procurement Standing Orders, Financial Regulations, Terms of Reference, Protocols for Gifts and Hospitality and Standards of Conduct and Ethics. The constitution is supplemented by the Whistleblowing Policy, Information Governance Framework and guidance on procedures relevant to individual services. Such guidance is accompanied by training and communications. The work of the Monitoring Officer, Standards Committee and the Standards Panel are fundamental in defining and achieving high standards.

Reviewing the effectiveness of the Council's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

The Council has a well-defined decision-making process and scheme of delegation, which are documented in the constitution. It publishes a forward plan and all agendas and minutes of meetings can be found on the Council's public website. The Safe and Sound Decision Making Framework was introduced during 2014/15 and a training programme was delivered for managers to ensure that good processes are in place for making and implementing decisions, which are informed by good information and data, stakeholder views and an open and honest debate which reflects the interests of the community.

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

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

The Council empowers its employees to be innovative and to find solutions to problems, but recognises that there are potential risks for the Council. Therefore, risk management is strong throughout the Council. As part of the Service Planning process, individual services develop their own risk registers and monitor controls. Significant and cross cutting service risks are amalgamated into the Corporate Risk Register. Every report presented to senior managers, panels, board and for key/executive decisions is risk assessed. The risk management process embraces best practice.

The Information Governance Framework which was introduced in November 2013 continued to be a key priority for the Council during 2015/16, ensuring that the guidance contained in the supporting documents was fully disseminated and embedded across all service areas. The Information Governance Group which was chaired by the Executive Director (Governance and Resources) ensured that the framework remained up to date and in line with the requirements of

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the Information Commissioners Office, the regulatory body for enforcing the requirements of the Data Protection Act. Information Governance, Risk Management and Data Protection training is delivered via a range of media, including briefing notes, the Chief Executive's Briefing, the Wire, workshops, DVD's and E-Tutorials. Priority during 2015/16 was to ensure that all staff in appropriate roles undertook the Data Protection and Responsible for Information E-Tutorials.

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The Council has an Anti-Fraud, Bribery and Corruption Strategy: Statement of Intent as part of the constitution and all investigations are undertaken by Internal Audit. All investigations are conducted in line with the fraud response plan and operational guidance notes. The Standards Panel receives monthly reports on investigations underway to monitor progress and provide direction where appropriate. The Council continues to participate in the National Fraud Initiative, which is coordinated by Internal Audit and during a recent visit from the Cabinet Office, the work undertaken by the Council to investigate the matches identified was highly commended.

A whistleblowing policy is maintained and available on the Council's website.

Ensuring effective management of change and transformation

Change and transformation are essential if cost effective and efficient services are to be delivered and savings targets achieved. A tried and tested service redesign process is in place to deliver a flexible workforce responsive to customer need.

The transformation agenda in health and social care as the Council moves towards an Integrated Care Organisation with the Tameside and Glossop Clinical Commissioning Group ('the CCG') and Tameside Hospital Foundation Trust ('THFT') has gathered pace during 2015/16 and we now have co-located teams working towards shared aims and objectives.

Tameside is the lead and chair of i-Network a self-sustaining local public sector improvement partnership with cross-sector membership from the North West, Yorkshire and the West Midlands. Membership has grown by 30% since 2010 with over 80 members sitting on Network Leadership Groups. In 2015 i-Network delivered 45 'What Works' events attended by nearly 2,000 delegates.

Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact

The financial management arrangements in place conform with the CIPFA statement and the service was managed by the Assistant Executive Director (Finance) the Council's Section 151 Officer up to 31 March 2016.

Ensuring the Council's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit and, where they do not, explain why and how they deliver the same impact

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

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

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

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

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

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

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

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

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

Standing orders, financial regulations and the scheme of delegation are all reviewed and updated regularly and presented to the Council for approval. All decisions of the Council are minuted and available on the website. Supporting procedure notes/manuals to manage risks and ensure consistency of approach are updated regularly and checked as part of the internal audit process.

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

Whistle-blowing and for receiving and investigating complaints from the public

The Council has a published Whistleblowing Policy on its public website and awareness and updates are provided in the Wire. Allegations received are investigated by either Internal Audit or the Monitoring Officer. Complaints are received and monitored via the Customer Relationship Management (CRM) system, which includes an automatic escalation process if response targets are breached.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

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

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

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

Significant improvements in the quality of life for our residents will only be achieved through effective partnership working. Working together through a shared vision for the future of the borough, to create a prosperous economy where people learn and achieve, feel safe and healthy and take active responsibility for their environment.

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

In addition to the website, the Council has embraced social media (Facebook, Twitter and Instagram) as modern communication channels to endeavour to reach all sections of the community.

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

Consultation has continued using the Big Conversation which provides residents and service users the opportunity to express their views and opinions about the services they use and how they can be delivered in the future in light of the extremely challenging cuts faced by Tameside. Resident opinion surveys are also conducted to provide feedback from service users and residents.

Building on the success of the 2014 budget consultation process, the 2015 budget consultation was launched by the Executive Leader at the Full Council Meeting on 29 September 2015 and ran for 12 weeks closing on 22 December and feedback was presented to the Executive Cabinet/Overview (Audit) Panel on 10 February 2016 and built into the budget report that was presented to Full Council on 23 February 2016.

Accountability is demonstrated by the publication of the Statement of Accounts, the annual report in the Citizen Newspaper, the annual governance statement and the review of service plans and the People and Places Scorecard.

Enhancing the accountability for service delivery and effectiveness of other public service providers

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

Incorporating good governance arrangements in respect of partnerships and other group working as identified by best practice and reflecting these in the authority's overall governance arrangements

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

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

4. Review of Effectiveness

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

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

- The Council has adopted a planning and performance framework and carries out a programme of monitoring which runs throughout its annual cycle. This includes quarterly monitoring of all budgets, regular monitoring of Service Delivery Plans and the People and Places Scorecard.
- The Corporate Plan is refreshed regularly to take into account changes in circumstances and need. These reviews are influenced from the outcomes of the Business Days held between the Executive Cabinet and the Executive Team.
- The Capital programme is regularly monitored and reported to the Strategic Planning and Capital Monitoring Panel, Overview (Audit) Panel and the Executive Cabinet.
- The Executive Cabinet carries out its functions in accordance with responsibilities outlined in cabinet portfolios, which are detailed in the Council's Constitution. Several non-executive members are appointed to specific roles to assist Executive Members in the delivery of their particular areas of responsibility. All roles are assigned at the annual meeting of the Council.
- There is a well established Overview and Scrutiny function, which has been revised and updated in the light of experience. Scrutiny Panels review the work of the Council throughout the year; make a series of recommendations to Executive Cabinet, which then require a formal response and action as appropriate. There is a public website where the public can access completed review reports and annual plans and annual reports.
- To support delivery of the Medium Term Financial Strategy and be in a positive position to respond to the financial challenges facing the Council, a structured programme of service reviews/redesigns has continued during the year. The continuation of this work is necessary to ensure that we are in a strong position to manage and use our resources effectively to maintain good outcomes and achieve the level of savings required. Service areas are looking for new and innovative ways of doing things as well as working more closely with our partners. Given the magnitude of the tasks the Council faces, consultation via the Big Conversation has continued so that residents' views on any changes can be taken into consideration. Budget Assurance Statements were signed by all Executive Directors in February 2016 providing assurance that financial processes were in place within each directorate and that a robust set of savings plans are in place and a clear delivery plan has been drawn up.

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- The Executive Directors have each reviewed the operation of key controls throughout the Council, from the perspective of their own directorates, using a detailed assurance self-assessment. They have provided a signed assurance letter and identified any areas for improvement, which will form the basis of an action plan to this governance statement.
- The Executive Director (Governance and Resources), the Monitoring Officer, carried out a continuous review of all legal and ethical matters, receiving copies of all agendas, minutes, reports and associated papers, and commented on all reports that go to members and when necessary taking appropriate action, should it be required.
- The Assistant Executive Director (Finance), the Section 151 Officer, carried out a continuous review of all financial matters, receiving copies of all agendas, minutes, reports and associated papers, and commented on all reports that go to members and when necessary taking appropriate action, should it be required.
- The Standards Committee is responsible for standards and probity, and receives regular reports from the Executive Director (Governance and Resources), the Monitoring Officer.
- The role held by the Assistant Executive Director (Finance) from 1 April 2015 conformed to the requirements of the five principles of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government.
- The Audit Panel carries out an overview of the activities of the Council's risk management, internal audit and external audit functions. Members are provided with a summary of reports issued and their associated audit opinion. They approve the annual plans for each, and receive regular progress reports throughout the year. The Head of Risk Management and Audit Services presents to them an Annual Report and Opinion, and the External Auditor submits an Annual Audit Letter along with other reports during the year.
- The Internal Audit service provides a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit Regulations 2015. It operates under the Public Sector Internal Audit Standards and a self-assessment completed for 2015/16 shows that the service is fully compliant with all the standards, and the assessment was reported to the Audit Panel in May 2016.
- The Council's External Auditors review the activities of the Council and issue an annual opinion on the annual accounts and a value for money conclusion. Conclusions and significant issues arising are detailed in their report to those charged with governance.
- Progress on the further development areas identified in Section 5 are regularly reported to the Audit Panel throughout the year by the Head of Risk Management and Audit Services.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Panel, and an action plan to address further developments and ensure continuous improvement of the system is in place.

5. Significant Governance Issues

No significant governance issues have been highlighted as a result of this review; however, areas for improvement arising from Internal/External Audit Reports and inspection reports have already been built into service area action plans and are monitored as part of the performance management framework.

Areas identified for further development include:-

- The ongoing level of change across the organisation, reduced resources and staff capacity to deliver the challenges faced by the Council is managed by ensuring that proper

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governance procedures and risk management are in place to safeguard that the overall control environment is not adversely affected.

- As we move towards an Integrated Care Organisation it is critical that strong governance arrangements are in place to ensure that positive outcomes are achieved through robust systems and procedures, that are open and transparent and monitored accordingly.
- Vision Tameside, which is a multi-million pound project in partnership with Tameside College, is delivered in accordance with agreed milestones and 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.
- Greater Manchester Pension Fund is working with other large metropolitan LGPS funds to create a £35 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.

We propose over the coming year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the improvements that were identified in our review of effectiveness and will monitor their implementation and operations as part of our next annual review.

Signed:

Signed:

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

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

Dated: September 2015

Dated: September 2015

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GOVERNANCE
2016-2019

Introduction

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

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

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

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

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

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

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

The Framework applies to annual governance statement prepared for the financial year 2016/17 onwards.

Principles of Good Governance

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

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

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
Behaving with integrity	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.
	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.
	Leading by example and using these standard operating principles or values as a framework for decision making and other actions.
	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.
Demonstrating strong commitment to ethical values	Seeking to establish, monitor and maintain the organisation's ethical standards and performance.
	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.
	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.
	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.
Respecting the rule of law	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.

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	Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.
	Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.
	Dealing with breaches of legal and regulatory provisions effectively.
	Ensuring corruption and misuse of power are dealt with effectively.

Principle B - Ensuring openness and comprehensive stakeholder engagement.

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

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
Openness	Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness.
	Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.
	Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.
	Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.
Engaging comprehensively with institutional stakeholders	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.
	Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
	Ensuring that partnerships are based on: <ul style="list-style-type: none"> • Trust • a shared commitment to change • a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.
Engaging stakeholders effectively, including individual	Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is

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citizens and service users	contributing towards the achievement of intended outcomes.
	Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.
	Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.
	Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.
	Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
	Taking account of the interests of future generations of tax payers and service users.

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

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

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
Defining outcomes	Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions.
	Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.
	Delivering defined outcomes on a sustainable basis within the resources that will be available.
	Identifying and managing risks to the achievement of outcomes.
	Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available.
Sustainable economic, social and environmental benefits	Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.
	Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints.
	Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.
	Ensuring fair access to services.

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

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

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
Determining interventions	Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.
	Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.
Planning interventions	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.
	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.
	Considering and monitoring risks facing each partner when working collaboratively including shared risks.
	Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.
	Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.
	Ensuring capacity exists to generate the information required to review service quality regularly.
	Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.
	Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital

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	expenditure aimed at developing a sustainable funding strategy.
Optimising achievement of intended outcomes	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.
	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.
	Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.
	Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes".

Principle E - Developing the entity’s capacity, including the capability of its leadership and the individuals within it.

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
Developing the entity’s capacity	Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.
	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority’s resources are allocated so that outcomes are achieved effectively and efficiently.
	Recognising the benefits of partnerships and collaborative working where added value can be achieved.
	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.
Developing the capability of the entity’s leadership and other individuals	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.
	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.
	Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority.
	Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:

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	<ul style="list-style-type: none">• ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged• ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis• ensuring personal, organisational and system wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.
	Ensuring that there are structures in place to encourage public participation.
	Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.
	Holding staff to account through regular performance reviews which take account of training or development needs.
	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

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

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

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
Managing risk	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
	Ensuring that responsibilities for managing individual risks are clearly allocated
Managing performance	Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.
	Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook
	Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible (OR, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making.
	Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.

	Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).
Robust internal control	Aligning the risk management strategy and policies on internal control with achieving the objectives.
	Evaluating and monitoring the authority’s risk management and internal control on a regular basis.
	Ensuring effective counter fraud and anti-corruption arrangements are in place.
	Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
	Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> • provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment • that its recommendations are listened to and acted upon.
Managing data	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.
	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.
	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.
Strong public financial management	Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.
	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

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

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

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
Implementing good practice in transparency	Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
	Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.
Implementing good practices in reporting	Reporting at least annually on performance, value for money and the stewardship of its resources.
	Ensuring members and senior management own the results.
	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an evidence to demonstrate good governance (annual governance statement).
	Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.
	Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.
Assurance and effective accountability	Ensuring that recommendations for corrective action made by external audit are acted upon.
	Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon.
	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations
	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.

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	Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.
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Agenda Item 10.

Report To:	AUDIT PANEL
Date:	31 May 2016
Reporting Officer:	Ian Duncan – Assistant Executive Director (Finance) Wendy Poole – Head of Risk Management and Audit Services
Subject:	RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2016/2017
Report Summary:	This report presents the planned work for the Risk Management and Audit Service for 2016/2017.
Recommendations:	<ol style="list-style-type: none">1. Members approve the Draft Internal Audit Plan for 2016/2017 shown at Appendix 1 and note the planned work for the Risk Management and Insurance Team and the National Anti Fraud Network Team.2. Members approve the Internal Audit Strategy for 2016/2017 shown at Appendix 2.3. Members approve the Internal Audit Charter for 2016/2017 shown at Appendix 3.4. Members approve the Quality Assurance and Improvement Programme for 2016/17 shown at Appendix 4.
Links to Community Strategy:	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
Policy Implications:	Effective Internal Audit and Risk Management supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	Effective Internal Audit assists in safeguarding assets, ensuring the best use of resources and reducing losses due to poor risk management. It also helps to keep insurance premiums to a minimum and provides assurance that a sound control environment is in place.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015.
Risk Management:	By assisting in the effective management of risks, Internal Audit helps to reduce costs and improve service delivery.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:  Telephone: 0161 342 3846  e-mail: wendy.poole@tameside.gov.uk

1. INTRODUCTION

- 1.1 The report presents the planned work for the Risk Management and Audit Service for 2016/2017. It sets out in detail the work of Internal Audit and presents at **Appendix 1** the Annual Audit Plan for 2016/2017 for approval. It highlights the planned work in relation to Counter Fraud/Investigation Work, the Risk Management and Insurance Team and the National Anti-Fraud Network (NAFN) – Data and Intelligence Services.

2. INTERNAL AUDIT PLANNING PROCESS

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

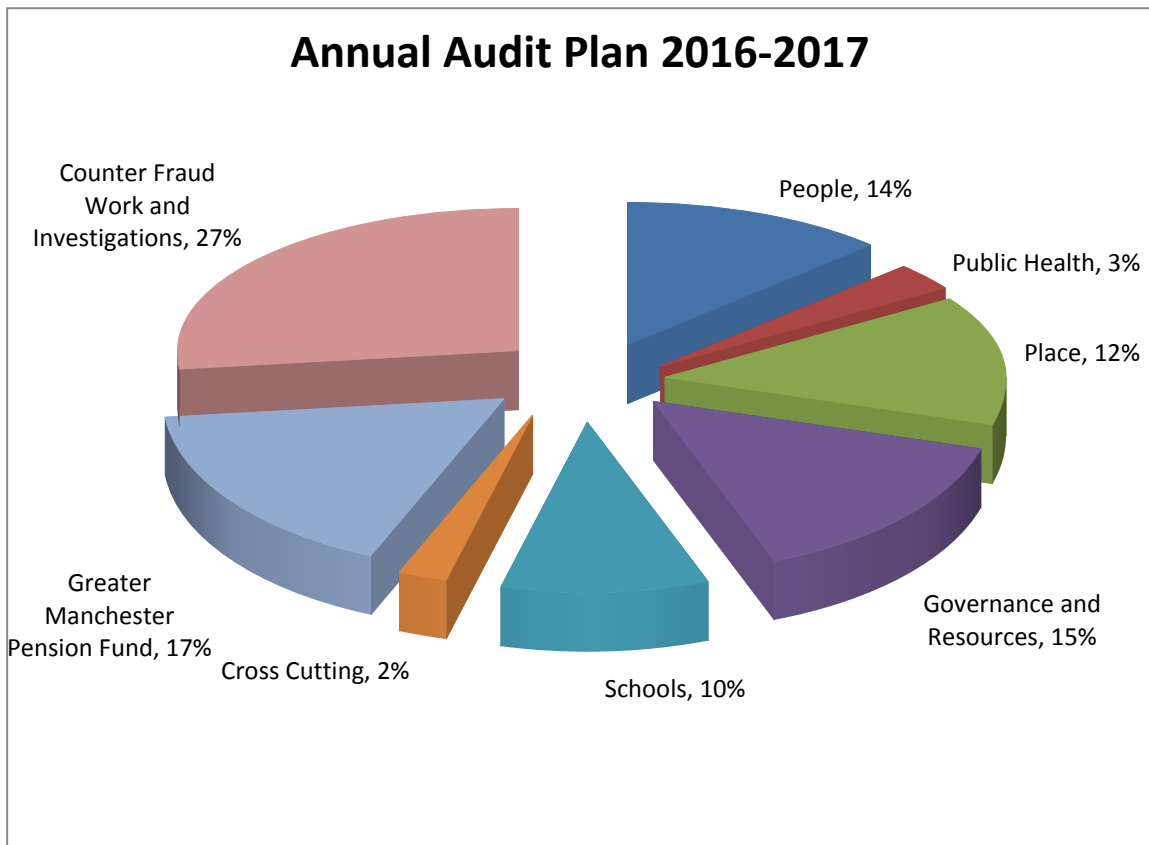
- 2.6 Allegations of fraud investigated during the year together with intelligence gained from external sources (e.g. CIPFA Fraud and Corruption Report, National Anti-Fraud Network, CIPFA Counter Fraud Centre and networking events) are used to identify potential risks and new fraud areas which are then taken into account either directly as an audit or used to inform the audit work scheduled in a particular area.
- 2.7 Taking all the above information into account, the indicative plan produced by Galileo is revised to generate a draft plan. This plan is then balanced to resources and priorities and amended accordingly, as requested audits usually exceed resources available. This stage of the process is conducted by the Head of Risk Management and Audit Services supported by the Principal Auditors who manage the plans on a day-to-day basis and is based on professional judgement and the potential risk exposure posed to the Council. Audits that cannot be covered in the current plan year are highlighted as priorities for next year's audit plan and held in contingency in case difficulties arise in achieving any of the audits included in the annual plan.
- 2.8 The Executive Director (Governance and Resources) and the Section 151 Officer have been consulted to ensure that the levels of coverage will provide the necessary information and assurance to support the Section 151 Officer Role and the Annual Governance Statement.
- 2.9 The Senior Management Team were consulted on the plan and their comments have been incorporated into the document attached at **Appendix 1**.
- 2.10 Whilst the work of Internal Audit, External Audit and Scrutiny are different consultation takes place during the year to ensure our respective work programmes are complementary and that areas are not "over audited/inspected".

3. INTERNAL AUDIT ANNUAL AUDIT PLAN 2016/2017

- 3.1 A summary of the Annual Audit Plan is shown below in Table 1. A detailed list of the Annual Audit Plan for 2016/2017 is included at **Appendix 1**. It details the audits to be undertaken in each Directorate/Service Area, including those planned for the Greater Manchester Pension Fund, which have already been reported to the Greater Manchester Pension Fund Local Board.

Table 1 – Annual Audit Plan Summary 2016-2017

Service Area / Directorate	Plan Days
People	250
Public Health	51
Place	222
Governance and Resources	262
Schools	175
Cross Cutting	63
Greater Manchester Pension Fund	300
Proactive Fraud Work, Irregularity Investigations, Advice and Control	475
Total Planned Days for 2015-2016	1798



3.2 The plan detailed at **Appendix 1** and summarised in the table and pie chart above totals 1,798 days and has been matched to available resources. The plan will be kept under constant review and regular meetings will be held with Executive Members and the Senior Management Team to ensure that it reflects the keys risks for the Council going forward as it continues to change both in shape and size to meet the financial challenges placed upon it.

4. INTERNAL AUDIT STAFFING

4.1 Staffing levels within the Internal Audit Team reduced during 2015/16 as a member of the team transferred to a new role in the Greater Manchester Pension Fund. The structure of the team is shown in Table 2 below.

Table 2 – Internal Audit Staffing Structure

Post	Qualification	Audit Experience
Head of Risk Management and Audit Services	CIPFA/PGCM	Over 15 Years
Principal Auditor	CIPFA/PGCM	Over 20 Years
Principal Auditor	CIPFA/ACCA	Over 20 Years
Senior Auditor	CIPFA	Over 20 Years
Senior Auditor		Over 20 Years
Senior Auditor		Over 20 Years
Counter Fraud/Investigator	PINS Accredited	Over 10 Years
Counter Fraud/Investigator	PINS Accredited	5 Years
Auditor	Studying CIPFA	7 Years
Auditor		Over 20 Years

4.2 The Service Unit no longer employs a specialist Computer Auditor and therefore the provision of technical computer audit support is procured from Salford MBC Computer Audit

Services using the AGMA Collaboration Computer Audit Agreement to help deliver the ICT – Computer Audit Plan.

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

5. INTERNAL AUDIT REPORTING PROCESS

- 5.1 At the completion of an audit review a draft report is produced which is issued to the appropriate managers within the area (this will vary depending on the review, but usually includes members of the senior management team) for them to check the factual accuracy of the report and to provide their management responses to the recommendations identified. Closure meetings are held with all parties to expedite the process.
- 5.2 A quality control and review process is in place within the team that ensures all audits are conducted to a high standard and that working papers, conclusions and recommendations are sound and justified.
- 5.3 A final audit report is then produced incorporating the management responses and circulated to: -
- Executive Member – responsible for area under review;
 - Chief Executive;
 - Executive Director (Governance and Resources);
 - Section 151 Officer;
 - Executive Director;
 - Appropriate Service Areas Managers;
 - Head of Resource Management – responsible for area under review; and
 - External Audit.
- 5.4 Six months after completion, a post audit review is undertaken to establish whether the agreed recommendations have been implemented, however where a low level of assurance is issued the area is re-visited within 3 months. This report is circulated to those members and officers who received the final report so that they can check that progress has been made. Areas of concern are escalated to the Head of Risk Management and Audit Services and/or the Assistant Executive Director (Finance) for discussion with the relevant service managers to ensure that progress is made. Post Audit Reviews with significant outstanding items will in turn be reported to the Audit Panel.
- 5.5 All reports issued are reviewed and quality checked within the team by the Principal Auditors before they are released. The Head of Risk Management and Audit Services also reviews all final reports and post audit reviews. Low level assurance audits are discussed with Assistant Executive Directors to gain assurance that resources will be targeted to resolve issues identified.
- 5.6 In addition, quarterly reports are produced for the Audit Panel, which summarise the key issues, highlighted from completed audits and any concerns resulting from post audit reviews.
- 5.7 At the end of the financial year, an annual report is produced summarising the work undertaken during the year and providing an opinion on the overall control environment. In

broad terms, the opinion is based on the audit opinions issued during the year, the nature of the audits and the type and severity of recommendations made.

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

6. ANNUAL GOVERNANCE STATEMENT

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

7. INTERNAL AUDIT STRATEGY AND CHARTER

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

8. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

- 8.1 Standard 1300 of the Public Sector Internal Audit Standards require:
“The chief internal auditor must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity”.
- 8.2 The Quality Assurance and Improvement Programme (attached at **Appendix 4**) includes:-
- Introduction
 - Internal Assessments
 - External Assessments
 - Review of the Quality Assurance and Improvement Programme

9. PROACTIVE FRAUD WORK/IRREGULARITY INVESTIGATIONS

- 9.1 Whilst unplanned in their nature, time is required each year for the investigation of frauds and irregularities that are notified to Internal Audit. There is a dedicated resource within the service unit, which provides support to management to ensure that such problems are dealt with as effectively as possible. A control report is provided in response to investigations/advice and support work to ensure that the control environment is improved to try to minimise any future reoccurrence. Learning points are noted for wider dissemination where appropriate and any recommendations are followed up at a later date by a post audit review to ensure the required improvements have been implemented.
- 9.2 The Standards Panel is notified of all cases reported and kept informed of progress on a monthly basis and direction/guidance from the panel is provided where appropriate.
- 9.3 Update reports will be provided as part of the quarterly progress reports provided by the Head of Risk Management and Audit Services.
- 9.4 Intelligence from all corporate fraud/irregularities notified to Internal Audit is used to:-
- Evaluate our response plan;
 - Inform the audit planning process to ensure fraud risks are taken into account; and
 - Inform the risk assessment tool within Galileo (audit management system) to ensure all auditable activities are correctly assessed.
- 9.5 Proactive fraud work planned for 2016/2017 will include awareness training and some internal data matching using the interrogation package “IDEA” to look for data anomalies and duplicate payments. Some development work will also be undertaken with the National Anti-Fraud Network to help develop a Greater Manchester Fraud Intelligence Hub and assist with the production of an A-Z of Services to help maximise the use of the services and enhance investigations by making appropriate use of data and intelligence available.
- 9.6 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Code of Practice on 16 October 2014 entitled Managing the Risk of Fraud and Corruption. A self-assessment against the code as part of the assurance work for the Annual Governance Statement demonstrates compliance with the key requirements. Work will continue during 2016/2017 to ensure this element of the service continues to develop in line with best practice. In addition to the above code the Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016-2019 supported by the Chartered Institute of Public Finance and Accountancy’s Counter Fraud Centre has recently been published and work will be undertaken to ensure the Council is compliant with the strategy.

10. RISK MANAGEMENT AND INSURANCE

10.1 The Risk Management and Insurance Team provide services to the whole Council including schools. The key priorities for the team during 2016/2017 are:-

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

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

11.1 The National Anti-Fraud Network will continue to work with key stakeholders and partners to further develop the services offered to members to ensure that emerging business needs are met in response to changing legislation. The key priorities are to:

- Develop further on line services to efficiently deliver data and intelligence to members;
- Deliver webinar training for National Anti-Fraud Network Services;
- Work with the Greater Manchester Fraud Group to deliver an Intelligence Hub;
- Develop the services currently delivered in relation to the Regulation of Investigatory Powers Act in response to the Investigatory Powers Act which needs to be in force by 31 December 2016.
- Create an A-Z of services providing both a training facility and an interactive tool to promote services delivered.

12. PERFORMANCE MONITORING

12.1 In accordance with Tameside methodology, the performance of the service is monitored against targets and performance indicators. Individually auditors are monitored against performance targets and appraisal sheets are completed for audits highlighting issues and potential training needs. Customer questionnaires are also used at the conclusion of each audit to test customer reaction to the audit and to help identify any training needs or service improvements.

12.2 The Audit Plan will be continually monitored via monthly progress meetings between the Audit Management Team and regular update meetings with Executive Members, Senior Managers and External Audit and quarterly reports to the Audit Panel and the Greater Manchester Pension Fund Local Board.

12.3 The target for achievement is 90% of the agreed plan. However, high priority requests that arise during the year, changes in available audit resources and problem areas highlighted

may affect the achievement of this target and result in the need for revisions to the agreed plan. All significant changes are agreed with relevant managers and Executive Members where appropriate and will be brought to the Panel for approval.

- 12.4 The Public Sector Internal Audit Standards are the benchmark against which the performance and effectiveness of the internal audit service will be measured.

13. MEMBER TRAINING

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

14. RECOMMENDATIONS

- 14.1 Members approve the Draft Internal Audit Plan for 2016/2017 shown at **Appendix 1** and note the planned work for the Risk Management and Insurance Team and the National Anti- Fraud Network Team.
- 14.2 Members approve the Internal Audit Strategy for 2016/2017 shown at **Appendix 2**.
- 14.3 Members approve the Internal Audit Charter for 2016/2017 shown at **Appendix 3**.
- 14.4 Members approve the Quality Assurance and Improvement Programme for 2016/17 shown at **Appendix 4**.

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AUDITABLE AREA	PURPOSE OF AUDIT	PLANNED DAYS 2016/17
CROSS-CUTTING		
Integrated Care Organisation	To undertake a review of the governance, financial and administrative arrangements to provide an opinion on the adequacy of the systems of internal control.	20
Contingency for Greater Manchester Combined Authority/Devolution Assurance and Joint Working	Work programme to be determined by the Greater Manchester Audit Executive Group.	20
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.	15
Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	2
Advice/Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	2
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	4
TOTAL PLANNED DAYS FOR CROSS-CUTTING		63
GOVERNANCE AND RESOURCES		
Payroll System	To review the controls in place for the payment of salaries, and any additional payments. Also the deduction of tax, other statutory deductions and pension contributions.	15
Assurance Work - Review of Terms and Conditions	Checks on the revised Contracts of Employment.	10
Transfer Review of Tameside Training Consortium	Review of the handover to the 3rd Sector.	2
Creditors System	To provide assurance that all invoices and payment requisitions are paid correctly, on a timely basis, and expenditure is appropriately accounted for.	15
Procurement	To review the activities of the Procurement Team with a view to ensuring compliance with Procurement Standing Orders and the achievement of value for money.	15
Risk Management	To evaluate the risk management process of the Council both corporately and within service areas.	15
General Ledger and Budgetary Control	To provide assurance in respect of the integrity of the data held in Agresso to ensure the accurate production of the Authority's accounts and the effective monitoring of resources.	15
VAT	To provide assurance that VAT is being appropriately accounted for.	15
Information Risk Management	To provide assurance to confirm compliance with the Information Governance Policy.	15
Monitoring of Capital Programme	To provide assurance that effective monitoring arrangements are in place in respect of capital expenditure.	15
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
Deferred Payment Scheme	To evaluate the effectiveness of processes and controls over Deferred Payment Agreements in Adult Care ensuring compliance with agreed policies.	15
External Audit Checks - Payroll	Grant Thornton select a sample from iTrent and Internal Audit carry out checks and provide the evidence to support the transactions. External Audit rely on this work to obtain assurance that the payroll system is operating effectively.	5
Registrars Financial Audit	An allocation is included in the Plan each year to review the records and income in respect of individual Registrars, on cyclical basis.	5
Members Allowances - Publication	To provide data assurance in relation to the publication of members allowances.	1
External Audit Checks - General Expenditure	To undertake checks on a sample of expenditure transactions to ensure that they are appropriate to the needs of the Council, have been appropriately authorised and correctly accounted for. This task is undertaken on behalf of External Audit and the results are used to inform the Audit of the Final Accounts.	5
Review of Financial Regulations	To review and make recommendations to update Financial Regulations.	1
Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	17
Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	27
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	20
Days required to complete 2015/16 Work	Days required to finalise audits that were in progress at the year end.	19
TOTAL PLANNED DAYS FOR GOVERNANCE AND RESOURCES		262
PEOPLE - ADULTS/CHILDREN/COMMUNITIES		
Community Response Alarm Service	To review the processes in place to ensure that the Community Response and Telecare Function has effective systems of internal control in place in order to effectively achieve its objectives.	15
Integrated Urgent Care Team	To review the processes operating within the Urgent Care Team to ensure that clients care needs are being met.	15
Care Management	To provide assurance that Adult Service Users care requirements are being effectively met and managed.	15
Community Safety	To examine the planning process in order to provide assurance that appropriate governance is in place for making planning decisions.	15
Childrens Homes	Review of the risks at the Childrens Homes, and an assessment of the controls in place to mitigate them.	20

AUDITABLE AREA	PURPOSE OF AUDIT	PLANNED DAYS 2016/17
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
Childrens Safeguarding	This review will examine the risks and the controls in place to mitigate those risks, in relation to Safeguarding Children.	15
Pupil Referral Service	Review of the controls in place to mitigate the risks within the Pupil Referral Service.	15
Schools Cash Flow-Deficit Recovery Plans	Review of the procedures for monitoring the cash deficits at schools and the risks to the Authority with the Academisation programme.	10
Funding to Early Years Providers	Review of the process for allocating the Funds, and the monitoring of the expenditure.	15
Troubled Families	Sample testing of the claims submitted for Payment by Results on this programme.	15
Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	18
Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	20
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	18
Days required to complete 2015/16 Work	Days required to finalise audits that were in progress at the year end.	29
TOTAL PLANNED DAYS FOR PEOPLE		250
PEOPLE - SCHOOLS		
Greenfield Primary & Nursery	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
Pinfold Primary & Nursery		6
Arlies Primary & Nursery		6
Lyndhurst Primary & Nursery		6
Audenshaw Primary School		6
Livingstone Primary		6
Dane Bank Primary & Nursery		6
Greswell Primary & Nursery		6
Broadoak Primary		6
Hurst Knoll C E Primary		6
St Pauls R C Primary & Nursery Hyde		6
St James RC		6
Canon Johnson C E Primary		6
St Anne's R C Primary & Nursery, Audenshaw		6
Lady Of Mount Carmel		6
Denton Community College		10
Hyde Community College		10
Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	15
Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes. Provision of School Newsletter.	20
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	30
TOTAL PLANNED DAYS FOR SCHOOLS		175
PLACE		
Health and Safety	To provide assurance that health and safety is being effectively managed throughout the Council and ensure compliance with legislation.	15
Inspired Spaces - Monitoring Of The Catering Contract	To provide assurance that effective contract monitoring processes are in place in order to ensure compliance.	15
Car Parking and Enforcement Income	To provide assurance that all car parking and enforcement income is being promptly collected, correctly accounted for and maximised.	15
Vision Tameside	To examine the project management process to provide assurance that it operating effectively and achieving the required outcomes.	15
Building Schools For The Future and Education Capital	To undertake a review of the governance, financial and administrative arrangements to provide an opinion on the adequacy of the systems of internal control.	15
Planning Process	To examine the planning process in order to ensure the correct governance is in place for making planning decisions.	15
Estate Management, Disposal and Acquisition	To provide assurance that the Council's Estate is being effectively managed and appropriate governance is in place in respect of acquisitions and disposals.	15
Online Payments System Sign off	Sign off of the new system being developed to expand the types of payments that can be made on line.	10
Review of IT Infrastructure Library (ITIL)	ITIL is a set of practices for IT Service Management that focuses on aligning IT Services with the needs of the business. This review will look at the application of the ITIL processes within IT at Tameside.	10
Network Security (including 3rd Party access)	This audit will examine the management of the network and the security measures in place, to safeguard the Authority's information assets.	15

AUDITABLE AREA	PURPOSE OF AUDIT	PLANNED DAYS 2016/17
Public Service Network (PSN)	There is a requirement for the Authority to comply with the requirements of the Public Service Network, and a self assessment questionnaire is completed annually by IT to confirm this. The questionnaire is signed off by the Senior Information Risk Owner (SIRO). The audit days will allow for some testing to be carried out prior to being signed off by the SIRO.	5
Computer Audit Contingency	This is an allocation of days to enable us to draw on the expertise of the Computer Auditors at Salford for advice and assistance with other audits.	5
Hattersley Collaboration Agreement	To undertake an audit of the Final Accounts.	6
Audit of Final Accounts	To provide assurance that the figures contained within the Final Accounts are correct.	5
Pinchpoint Grant	Certification to confirm that expenditure has been incurred in accordance with the grant conditions.	3
Local Authority Bus Subsidy Grant		2
Local Transport Settlement Grant		3
Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	13
Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	5
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	15
Days required to complete 2015/16 Work	Days required to finalise audits that were in progress at the year end.	20
TOTAL PLANNED DAYS FOR PLACE		222
PUBLIC HEALTH		
Data Analysis and Interpretation	To provide assurance that public health data is appropriately analysed and interpreted with a view to informing the allocation of resources to improve public health within the Borough.	15
Public Health - Contract Monitoring	To review the process in place for monitoring the Drugs and Alcohol Contract to ensure that it is robust and achieving the required outcomes.	15
Ring-fenced Public Health Grant	Certification to confirm that expenditure has been incurred in accordance with the grant conditions.	6
Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	3
Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	1
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	4
Days required to complete 2015/16 Work	Days required to finalise audits that were in progress at the year end.	7
TOTAL PLANNED DAYS FOR PUBLIC HEALTH		51
PENSION FUND		
Pooling of Investments	The Government is currently consulting on the way that LGPS Funds will be required to Pool their investments. Audit time has been allocated to review the new processes that will need to be put in place, and ensure that any risks are mitigated by adequate controls.	15
Investments Contingency - Audits to be Determined		10
Local Investments and Property Contingency - Audits to be Determined		15
Property - Direct	Following on from a consultancy review of the contract monitoring procedures, a review is planned to visit La Salle/JLL, the property investment manager, to review the processes in place to manage the GMPF property portfolio.	15
Compliance Function	A new Compliance function is to be set up, within the Pension Fund. This review will examine the procedures in place, to ensure that the risks have been identified, and the appropriate controls put in place.	15
Contribution Income	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
Debtors	Debtors is one of the Key Financial Systems of the Pension Fund. The financial systems are reviewed on a cyclical basis to ensure that there are appropriate controls in place.	15
Pension Payroll	A review is carried out annually on the Pension Payroll, as this is the main payments system within the Fund, paying pensions via three payrolls. External Audit rely upon the work that we carry out on this system.	15
Guaranteed Minimum Pension (GMP) Reconciliations	In April 2016, contracting out status for all UK Defined Benefit schemes, including the LGPS, ended. HMRC will be writing to all individuals who are affected by this change to clarify the Guaranteed Minimum Pension (GMP) they will receive and confirm who will be responsible for paying it. Before this happens, all schemes will 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.	10
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.	55
Secure Transfer of Data	The Pension Fund are in the process of purchasing a new module for the Altair system for the secure transfer of data. Internal Audit will review the implementation and operation of the new system.	10
Altair System	Salford Computer Audit team will carry out an application review of the Altair system.	10
Employer Agreements	A review will be carried out on the Employer Agreements that are in place, following on from an audit that was undertaken in 2015/16.	15

AUDITABLE AREA	PURPOSE OF AUDIT	PLANNED DAYS 2016/17
Unitisation	Unitisation is being implemented by the Pension Fund, which is a method to apportion assets to individual employers, and will allow for bespoke investment strategies for some employers. Internal Audit will review the process being implemented, and ensure that there are adequate controls to mitigate the risks.	15
Risk Management	A review is to take place of the Risk Management procedures in place within the Pension Fund.	10
Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	18
Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	20
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	10
Days required to complete 2015/16 Work	Days required to finalise audits that were in progress at the year end.	13
TOTAL PLANNED DAYS FOR PENSION FUND		300
COUNTER FRAUD WORK AND INVESTIGATIONS		475
TOTAL DAYS FOR 2016/17		1798

TAMESIDE MBC

INTERNAL AUDIT

STRATEGY

2016/17

1. INTRODUCTION

- 1.1 This document sets out the overall strategy for the Council's Internal Audit service for the year 2016/17 and the strategic approach to delivering Internal Audit Services in future years.
- 1.2 This longer-term perspective is necessary to give some indication of how assessed risks will be reviewed, as not all risks can, due to resource constraints, be subject to review within any one year. This longer-term perspective gives direction to service delivery.

2. MAIN DRIVERS IN SETTING THE DIRECTION

- 2.1 The work of the Internal Audit Team responds to a number of needs, some of a statutory nature, some related to supporting others, and some arising from within the Council itself. In summary, the main service drivers are: -
- The Accounts and Audit Regulations 2015;
 - The requirements to meet the service scope and standards set out in the Public Sector Internal Audit Standards 2013;
 - The corporate responsibilities for Section 151 of the 1972 Local Government Act and the requirement to provide assurance and support to the appointed Section 151 Officer;
 - The requirements of the External Auditor;
 - The desire to contribute to the achievement of council goals, targets and objectives;
 - The desire and need to meet the needs of the organisation and internal customers and external customers;
 - The contributory role, in assisting in, the embedding and informing about risk management across the council;
 - Seeking to be more efficient and effective in service provision in accordance with good practice and Council policy; and
 - The need for the council to maintain an effective counter-fraud culture.
- 2.2 The Accounts and Audit Regulations 2015 sets out the requirements for local authorities to undertake internal audit:
- "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."
- 2.3 The Public Sector Internal Audit Standards (PSIAS) 2013 provide the definition of internal audit as:
- Internal Auditing is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*
- 2.4 The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:-
- Deliver Definition of Internal Auditing;
 - Code of Ethics; and
 - International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).
- 2.5 Section 151 of the Local Government Act requires the Authority (through the Chief Financial Officer of a Local Authority) to ensure the proper administration of the Council's financial affairs. The work of the Internal Audit function supports the appointed S151 Officer in this as the Internal Audit function assists managers to administer the Council's finances in a sound manner related to the associated risks, and it provides information and assurance to the Chief Finance Officer on the extent of proper administration.

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

3. WHAT THIS MEANS WE NEED TO DO:

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

4. HOW WILL WE DO THIS?

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

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

TAMESIDE MBC

**INTERNAL AUDIT
CHARTER**

2016/17

1. INTRODUCTION

- 1.1 The work of Internal Audit at Tameside Council is governed by the UK Public Sector Internal Audit Standards - April 2013. The Standards comprise a revised definition of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all internal auditors working in the UK public sector.
- 1.2 The revised definition of Internal Audit is “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
- 1.3 Internal Audit supports the Chief Finance Officer to discharge his responsibilities for maintaining an adequate and effective system of internal audit as required under Section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2015.
- 1.4 Internal Audit supports the Monitoring Officer in discharging her responsibilities by providing assurance that the governance framework is operating satisfactorily.
- 1.5 The Head of Risk Management and Audit Services is responsible for the effective review of all aspects of governance, risk and internal control throughout the full range of the Authority’s activities.
- 1.6 The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
- 1.7 The Public Sector Internal Audit Standards require that the internal audit charter defines the terms ‘board’ and ‘senior management’ in relation to the work of internal audit. For the purposes of internal audit work, the ‘board’ refers to the Council’s Audit Panel and the Greater Manchester Pension Fund Local Board which have delegated responsibility for overseeing the work of internal audit. The term senior management will generally relate to the Senior Management Team, however it may be defined on an individual basis according to individual context.

2. INDEPENDENCE

- 2.1 Internal Audit is independent of all of the activities of the Council to ensure it is able to appraise the Authority’s governance, risks and internal control systems in the impartial and unbiased manner essential to the proper conduct of audits.
- 2.2 To ensure this independence, Internal Audit operates within a framework that allows unfettered access to all council officers, senior management and elected Members. As such, all Internal Audit staff have the right to all documentation held by the Council and to seek explanations as they see necessary to effectively discharge their duties, from all Officers and Elected Members of the Council.
- 2.3 The Head of Risk Management and Audit Services will report in her own name to Officers and Elected Members, particularly those charged with governance.
- 2.4 Where internal audit staff have a perceived or real conflict of interest in undertaking a particular piece of work, this will be managed through the internal audit management and supervisory process. Staff are required to declare any potential conflict of interest when

they are assigned a particular audit review and the work will then be reassigned to another auditor.

3. REPORTING LINES OF THE CHIEF INTERNAL AUDITOR

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

4. SCOPE OF INTERNAL AUDIT WORK

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

5. RESPONSIBILITY

- 5.1 The Head of Risk Management and Audit Services is responsible for:-
 - Developing an annual audit plan based on an understanding of the significant risks to which the organisation is exposed.
 - The determination and development of a strategic plan for the service. This strategic plan will establish the future strategic direction for Internal Audit within the Authority.

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

6. RESOURCING AND STAFFING MATTERS

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

7. ETHICS

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

8. LIMITATIONS OF INTERNAL AUDIT RESPONSIBILITIES

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

9. REPORTING

- 9.1 All internal audit assignments will be the subject of formal reports. Draft reports will be sent to the manager(s) responsible for the area under review for agreement of the factual accuracy of findings and the implementation of recommendations made to address weaknesses in internal controls.

- 9.2 Once agreed, final reports are issued to the following:-
- Executive Member – responsible for area under review;
 - Chief Executive;
 - Executive Director (Governance, Resources & Pensions);
 - Chief Finance Officer (Section 151 Officer);
 - Relevant other Executive Director;
 - Appropriate Service Areas Managers;
 - Head of Resource Management – responsible for area under review; and
 - External Audit.
- 9.3 All audit reports issued contain an audit opinion on the level of assurance. The three assurance levels used are:-
- High
 - Medium
 - Low
- 9.4 Internal Audit will report regularly on the results of its work to Senior Management and the Audit Panel/Greater Manchester Pension Fund Local Board, highlighting significant control issues and the potential for improving risk management, internal control processes and where appropriate value for money and efficiency.

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TAMESIDE MBC

INTERNAL AUDIT

**QUALITY ASSURANCE
AND IMPROVEMENT
PROGRAMME
2016/17**

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1. INTRODUCTION

- 1.1 Internal Audit's Quality Assurance and Improvement Programme is designed to provide reasonable assurance to the various stakeholders of the Internal Audit activity that Internal Audit:
- Performs its work in accordance with its Charter, which is consistent with The Public Sector Internal Audit Standards definition of Internal Auditing and Code of Ethics;
 - Operates in an effective and efficient manner; and
 - Is perceived by stakeholders as adding value and improving Internal Audit's operations.
- 1.2 Internal Audit's Quality Assurance and Improvement Programme covers all aspects of the Internal Audit activity in accordance with the Public Sector Internal Audit Standards, Standard 1300 (Quality Assurance and Improvement Programme), including:
- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner (1300);
 - Ensuring compliance with the Public Sector Internal Audit Standards definition of Internal Auditing and Code of Ethics (1300);
 - Helping the Internal Audit activity add value and improve organisational operations (1300);
 - Undertaking both periodic and on-going internal assessments (1311); and
 - Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit Panel and the Greater Manchester Pension Fund Local Board in accordance with Standard 1312 and 1320.
- 1.3 The Head of Risk Management and Audit Services is ultimately responsible for the Quality Assurance and Improvement Programme, which covers all types of Internal Audit activities, including consulting.

2. INTERNAL ASSESSMENTS

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

On-going Reviews

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

Periodic Reviews

- 2.3 Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Public Sector Internal Audit Standards definition of Internal Auditing, the Code of Ethics,

and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments are conducted through:

- Quarterly Update Reports, presented to the Audit Panel;
- Annual risk assessments, in accordance with the Internal Audit Strategy 2016-17, for the purposes of annual audit planning;
- Annual review of the Effectiveness of Internal Audit, undertaken by the Head Risk Management and Audit;
- Annual review of compliance against the requirements of this Quality Assurance and Improvement Programme, the results of which are reported to the Audit Panel;
- Feedback from the Assistant Executive Director (Finance) and Audit Panel to inform the annual appraisal of the Head of Internal Audit, in accordance with Standard 1100;
- Periodic Skills and Competency exercise to be conducted for each Internal Auditor based on the principles of the CIPFA Guidance document “The Excellent Internal Auditor” (2010) to inform the appraisal process and identify individual training and development needs.

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

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

3. EXTERNAL ASSESSMENTS

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

Frequency of External Assessment

3.2 An external assessment will be conducted at least every five years, in accordance with the Public Sector Internal Audit Standards. A system of Peer Reviews will be undertaken across the North West Chief Audit Executive Group. Once the current pilot reviews have been completed the roll out programme will be proposed and the format for the review finalised and this will then need to be approved by the Audit Panel.

Scope of External Assessment

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

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

- 3.4 Results of external assessments will be provided to the Executive Director (Governance and Resources) and the Assistant Executive Director (Finance) and the Audit Panel. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified. Any significant areas of non-compliance will be reported in the Annual Report of the Head of Risk Management and Audit and in the Annual Governance Statement.

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

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

QUALITY CONTROL CHECKLIST

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

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS			
No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
	Principal/Senior Auditor		
1.8	Email approved Terms of Reference to: Auditee AED/ED Chief Executive (SP) Monitoring Officer (SS) Section 151 Officer (BJ) Executive Member ** AED Legal Services AED People and Workforce Development Head of Resource Management External Audit (GM) BCC to Head of Risk Management and Audit ** Check the Executive Member is still relevant and whether they have an assistant.		
1.9	Update Galileo with audit start date and the date the Terms of Reference was issued.		
2	FIELDWORK		
2.1	For each area of risk being reviewed, identify expected controls that need to be in place to manage those risks. Each risk and its expected controls need to be entered onto Galileo on the Internal Control Evaluation/Action Plan (ICEAP).		
2.2	To ascertain the actual controls in place send a copy of the ICEAP to the auditee and make an appointment to visit them to agree the actual controls.		
2.3	Record the actual controls in place as per management on the ICEAP at the meeting using your laptop where possible to reduce re-working.		
2.4	Compare the actual controls against the expected controls.		
2.5	Where there is no control or the control is unsatisfactory, record this as a finding and make an appropriate recommendation.		
2.6	Where the control appears to be satisfactory identify your testing and complete the testing section within Galileo.		
2.7	Agree test programme and prioritisation of the tests with Principal/Senior Auditor.		

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS			
No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
2.8	Conduct tests and record results in Galileo in the Testing sections, attaching working papers where appropriate. Use IDEA where possible to select samples and also to carry out tests.		
2.9	Monitor time closely to ensure planned days are not exceeded. Ensure you leave yourself with some contingency days to undertake follow up work needed after the Draft Report and working papers have been reviewed by Principal/Senior.		
2.10	If you think you will exceed your planned days, you need to discuss progress with your Principal/Senior to review the scope and testing plan for the audit.		
2.11	Update the ICEAP with test results in terms of concise findings and recommendations.		
2.12	Discuss findings and recommendations with key auditee(s). Do not indicate what level of assurance may be allocated at this stage, in case it is altered when it is reviewed.		
3	REPORTING		
3.1	Produce the Draft Report comprising of Executive Summary, ICEAP and appropriate audit opinion.		
3.2	Ensure all required documents in respect of the audit are scanned into Galileo and stored in the working papers section.		
3.3	Pass the completed work and Draft report to Principal/Senior Auditor for review.		
3.4	Review notes compiled by Principal/Senior Auditor and followed up by Auditor concerned.		
3.5	If any HR or legal issues have been identified as part of the audit please arrange to speak to the AED Legal Services or People and Workforce Development for clarification. The objective here is to ensure that Legal agree with the auditee and that HR can give consideration to issues highlighted as there may be wider implications.		
3.6	Auditor to start completion of the Job Appraisal Sheet.		

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS

No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
3.7	<p>Send Draft Report to each Auditee via e-mail, stating that they will be contacted to arrange a closure meeting to discuss the report and obtain management responses.</p> <p>Inform auditee(s) that they will be expected to have prepared responses to the recommendations and completed the action plan prior to the closure meeting.</p>		
3.8	<p>If a LOW Level of Assurance is given ensure that the appropriate AED is sent a copy of the Draft Report.</p>		
3.9	<p>Update Galileo accordingly.</p>		
3.10	<p>Arrange Closure Meeting within two weeks (of issue date) with all auditees responsible for implementing the recommendations (Principal/Senior Auditor to attend as appropriate).</p>		
3.11	<p>Attend Closure Meeting. At the meeting check again with all present whether there are any:</p> <ul style="list-style-type: none"> • Ombudsman complaints • Significant CRM complaints • Court Proceedings against the Council • HR Issues • Confirm the Executive Member and/or Assistant <p>Also check again with Insurance to ensure there are no insurance issues/claims?</p>		
3.12	<p>If there are any issues the audit must be discussed with the Head of Risk Management and Audit Services.</p>		
3.13	<p>Compile Final Report, incorporating management responses within the Action Plan. (Also, action to be taken by whom and by when)</p>		
3.14	<p>Final Report reviewed by Principal/Senior Auditor.</p>		
3.15	<p>If any Legal or HR implications (or references to Legal/HR) have come to light in any of the management responses these must be referred to Aileen Johnson and Tracy Brennan for clearance before the AED/ED is asked to sign off the report.</p>		
3.16	<p>Final Report to be signed off by AED/ED – Ask AED/ED if any:</p> <ul style="list-style-type: none"> • Ombudsman complaints 		

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS

No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
	<ul style="list-style-type: none"> • Significant CRM complaints • Court Proceedings against the Council • HR Issues • To confirm the Executive Member and/or Assistant <p>Also check again with Insurance to ensure there are no insurance issues/claims?</p>		
3.17	Email Final Report to Head of Risk Management and Audit for review before it is issued. If no response is received within two weeks send a reminder email.		
3.18	<p>Once review points have been cleared email Final Report in PDF format to:</p> <p>Auditees Executive Director/Assistant Executive Director, Chief Executive (SP) Monitoring Officer (SS) Section 151 Officer (BJ) Executive Member(s)/Assistant Head of Resource Management External Audit</p>		
3.19	If the Level of Assurance is LOW email a copy of the report to Councillors Jim Fitzpatrick and Bill Fairfoull.		
3.20	Update Galileo accordingly, ensuring that the Level of assurance is entered correctly and that a copy of the Final Report is saved.		
3.21	Email Customer Questionnaire (CQ) and update Galileo accordingly. Add calendar date for follow up in two weeks.		
3.22	<p>If CQ is not returned within two weeks of issue, chase it up and ensure receipt of completed questionnaire.</p> <p>Any problems should be reported to Principal/Senior Auditor.</p>		
3.23	Enter date of receipt and CQ results into Galileo.		
3.24	Job Appraisal Sheet to be completed and discussed with Auditor.		
3.25	Ensure that Galileo has been updated, a copy of the Final Report uploaded and the Level of Assurance recorded correctly.		

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS

No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
3.26	Auditor to schedule the PAR in calendar for three or six months time depending on level of assurance given.		
3.27	Update the PAR Spreadsheet with details.		
3.28	Scan the completed QCC into Galileo		
4	FOLLOW UP		
4.1	<p>Before a Post Audit Review (PAR) is allocated, the Principal Auditor needs to speak to the relevant AED and ask if the PAR is still relevant and whether there are any issues in the area preventing us from doing the work.</p> <p>Need to ascertain from the AED if there are any:</p> <ul style="list-style-type: none"> • Ombudsman complaints • Significant CRM complaints • Court Proceedings against the Council • HR Issues • To confirm the Executive Member and/or Assistant <p>Principal Auditor to also check with Insurance to ensure there are no insurance issues/claims.</p>		
4.2	Principal Auditor to determine the number of days for the PAR and update Galileo accordingly.		
4.3	When allocated with a PAR issue the Post Audit Review documentation to the responsible Officers.		
4.4	Update the PAR spreadsheet.		
4.5	Arrange a meeting to discuss the PAR and obtain confirmation of what action has been taken.		
4.6	Conduct PAR, based upon information obtained/ received. Ensure that adequate testing is undertaken and evidence is obtained and uploaded on to Galileo to support implementation of the recommendation(s).		
4.7	Compile PAR, incorporating management responses and Internal Audit Findings.		
4.8	PAR reviewed by Principal/Senior Auditor.		
4.9	If any Legal or HR implications (or references to Legal/HR) have come to light these must be		

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS			
No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
	referee to Aileen Johnson and Tracy Brennand for clearance before the AED/ED is asked to clear the report.		
4.10	Obtain sign-off from AED/ED - Ask AED/ED if any complaints, ombudsman complaints or HR issues are ongoing which may be affected if the PAR were to be issued.		
4.11	Email a copy of PAR to the Head of Risk Management and Audit for comments. Indicate the Level of Assurance given at the audit and whether it contains any outstanding significant recommendations that need to be reported to the Audit Panel or Greater Manchester Pension Fund's Local Board. If no response is received within two weeks send a reminder email.		
4.12	Once review points have been cleared issue PAR (in PDF Format) to all recipients of the Final Report.		
4.13	Update Galileo accordingly		
4.14	Update the PAR Spreadsheet accordingly.		
4.15	Save a copy of the finalised PAR in Galileo.		
4.16	If a follow up PAR is needed, schedule in calendar, update Galileo and the PAR Spreadsheet accordingly.		
4.17	Scan the completed QCC into Galileo		
4.18	When the follow up PAR is due, follow steps 4.1 – 4.17 if applicable.		

Please Note

The corporate standard for report writing is as follows:-

Arial 11
 Justified
 2cm Margins
 Date Format - xx Month 2015

Audit specific standards:-

Do not use '&'
 Do not use don't, haven't etc.

CUSTOMER SATISFACTION QUESTIONNAIRE

To:
Audit
 Title:
Auditor:

Date:
Project
 Ref:

In accordance with the concept of Continual Improvement, the Internal Audit Section is continually monitoring and striving to improve its methods of operation, with the aim of giving you a better service.

Part of this process involves obtaining your opinion on individual audits, the process adopted and the conduct of audit staff.

Your comments/feedback is important to us, not only will it be used to improve the audit process but also to identify training needs for individual auditors.

	Excellent	Good	Fair	Weak	Unsatisfactory
AUDIT PLANNING					
Consultation on audit coverage, process and timing					
AUDIT PROCESS					
Were interruptions to your operations kept to a minimum?					
How well did we achieve the scope and objectives?					
Did the audit cover the relevant business risks?					
QUALITY OF AUDIT REPORT					
Clarity of report					
How well did we communicate the findings of the audit prior to issuing the draft report?					
Accuracy of audit findings					
Value/practicality of audit recommendations					
TIMING					
Duration of the audit					
Timeliness of the draft audit report					
AUDITOR					
Communication with yourself and auditees.					
At the conclusion of the audit how well did the auditor understand the subject?					
Was the auditor responsive to what he/she was told?					
How well were queries that arose during the audit dealt with?					
EQUALITY					
During the audit process have you been treated fairly with regards to ethnicity, gender, disability, age, religion/belief and sexual orientation?					

If Unsatisfactory or Weak is selected please explain why. We cannot improve without knowing the reasons behind these lower scores.



- A. Was there anything about the audit that you especially liked/disliked?
- B. Do you have any comments about the format of the audit report?
- C. Was the audit useful?
- D. Was the audit relevant?
- E. Have you any suggestions as to how we can improve?

Signed Date

**Thank you for taking the time to complete this questionnaire.
 Please return it to Wendy Poole, Audit Manager in Room 2.33a or by email
wendy.poole@tameside.gov.uk**

INTERNAL AUDIT – PERFORMANCE TARGETS

CATEGORY	DESCRIPTION	NARRATIVE	HOW IT'S MEASURED	TARGET
COMPLIANCE	Public Sector Internal Audit Standards Compliance	Level of compliance with requirements of Public Sector Internal Audit Standards / Local Government Application Note	Annual Self-Assessment External Assessment (5 yearly)	100%
OUTPUTS	Audit coverage	% of Plan Complete	Audit time recording / workflow management system	90%
OUTPUTS	Audit Impact	% Recommendations Implemented	Audit time recording / workflow management system	90%
QUALITY	Customer Satisfaction	90% of customers "satisfied ≥ 65%"	Customer Satisfaction Questionnaire	100%
OUTPUTS	Fraud Cases	No. of Irregularities Reported/Investigated	Audit time recording / workflow management system	Downward Trend

Report To:	AUDIT PANEL
Date:	31 May 2016
Reporting Officer:	Ian Duncan – Assistant Executive Director (Finance) Wendy Poole – Head of Risk Management and Audit Services
Subject:	RISK MANAGEMENT
Report Summary:	To present to members for comment, challenge and approval: <ol style="list-style-type: none">1. The Risk Management Policy and Strategy for 2016/2017 (Appendix 1).2. The Corporate Risk Register (Appendix 2).
Recommendations:	<ol style="list-style-type: none">1. Consider and approve the Risk Management Policy and Strategy.2. Consider and approve the Corporate Risk Register.
Links to Community Strategy:	Managing risks will enable the Council to deliver services safely and in an informed manner to achieve the best possible outcomes for residents.
Policy Implications:	Effective risk management supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	Effective 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.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015 and the Code of Corporate Governance.
Risk Management:	Failure to manage risks will impact on service delivery, the achievement of objectives and the Council's Medium Term Financial Strategy.
Access to Information:	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:  Telephone: 0161 342 3846  e-mail: wendy.poole@tameside.gov.uk

1. Introduction

- 1.1 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 Executive Team, with support from Assistance Executive Directors, managers and staff.

2. Risk Management – Why?

Two of the key drivers for risk management are:-

- 2.1 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.**

- 2.2 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

3. What is Risk Management?

- 3.1 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.

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 Executive 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 Senior Management Team have been consulted in compiling the risk register and their comments have been incorporated into the revised risk register.

7.3 The following risks have been removed as they have been successfully managed:-

- Transfer of data centre to a new location;
- Litigation in relation to equal pay - Historic equal pay claims;
- Individual Electoral Registration - introduction of IER will place significantly increased burdens on small elections team;
- Failure to meet obligations with the Ministry of Justice to transfer the Probation Service Pensions into the Greater Manchester Pension Fund. The transfer involves 35 existing probation trusts, 22 new employers, 40,000 members and £3bn of assets; and
- Increased demand on advisory services due to Council Tax Support Scheme and also Universal Credit implementation - including Customer Services and Welfare Rights.

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

- The Council fails to benefit from the opportunities generated from the increased central government devolution to the Greater Manchester Region;
- Adverse impact on the organisation due to the review of Employee Terms and Conditions;
- Impact on the Council in relation to the changing landscape for schools including; Free Schools, Academisation and linked issues relating to BSF/PFI;
- Local Government Pension Scheme asset pooling requirements not met;
- 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.

7.5 The Corporate Risk Register will be presented to the Senior Management Team on a quarterly basis and regular updates provided to the Audit Panel.

8. Service Area Risk Registers

8.1 The process for producing risk registers within service areas will be reviewed over the summer period with the Senior Management Team to ensure that resources available are used effectively to produce risk registers.

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 Members consider and approve the Risk Management Policy and Strategy for 2016/2017.

9.2 Members consider and approve the Corporate Risk Register.

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RISK MANAGEMENT
POLICY and STRATEGY
2016 - 2017

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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.

(* 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.

Senior Management (Executive Directors, Assistant Executive 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: -

- The First Deputy 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 Executive Director (Governance, Resources and Pensions) and the Assistant Executive Director (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 Senior Management 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 Senior Management 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 co-ordination 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/AED
- 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 Senior Management 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.
- Senior Management Team
The Senior Management 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 Senior Management 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
- Senior Management 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 by the Head of Risk Management and Audit Services and controlled by the Assistant Executive Director (Finance) and the Senior Management Team.

Applications for funding in excess of £3,000 have to be approved by the Senior Management Team (SMT). All reports have to be submitted to the Head of Risk Management and Audit Services and the Assistant Executive Director (Finance) prior to the meeting so that the funding bid can be reviewed and a recommendation prepared for SMT.

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 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 organizational 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

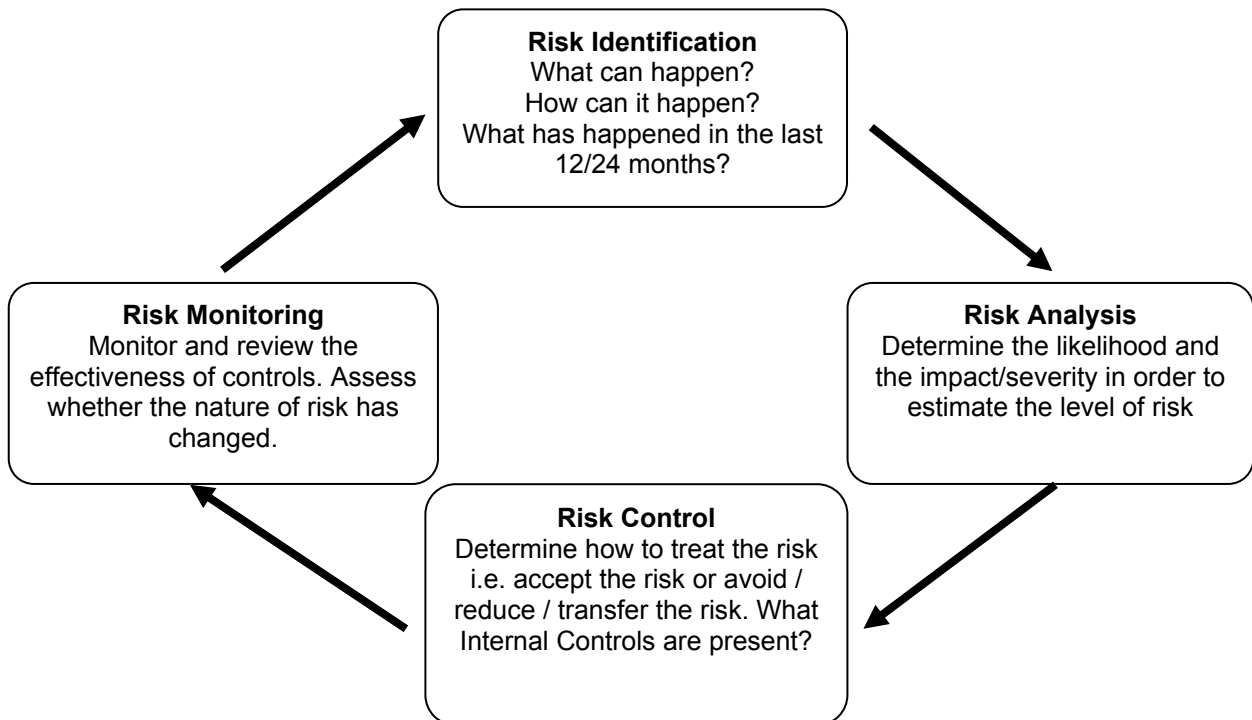
Group	Role
Strategic Decision Makers e.g. Elected Members	To oversee the effective management of risk by officers of the organisation
Executive Team	To ensure that the organisation manages risk effectively through the development of a comprehensive corporate strategy and consider strategic risks affecting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

The Risk Management Lifecycle



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 **blue 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 so that a central depository can be maintained.

2.7 Risk Registers need to be 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 or on ext. 3846.

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Corporate Risk Register - May 2016

	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 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.	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. Funding available to develop DR facility for key council systems, procedures and policies relating to virus infection reviewed and updated to reflect increased risk.	Effective	5	4	20	Robin Monk	Tim Rainey	ICT provision is being reviewed in response to the Decant from TAC.	Tim Rainey/Nicola Smith	Ongoing
2	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 ED - Place. Budget updates reported to Strategic Capital Panel.	Effective	4	4	16	Robin Monk	Damien Bourke			
3	Failure to deliver council duties to improve the health and wellbeing of Tameside residents.	Poor health outcomes, healthy life expectancy and increasing health inequalities.	Tameside and Glossop Care Together Programme provides a clear strategic commitment to address this risk. Emerging plans and work programmes 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, Single Commissioning Management 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 is understood, shared and acted upon.	Effective	5	3	15	Angela Hardman	Debbie Watson/Gideon Smith/Anna Moloney			
4	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	Stephanie Butterworth	Dominic Tumelty			

	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
5 NR	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.	Effective	5	3	15	Executive Team	Senior Management Team	The Council will deploy adequate resources to ensure that it is able to maximise the benefits.	Senior Management Team	Ongoing
6	Collection rates for Council Tax, NNDR and Sundry Debtors are affected by the economic climate.	Insufficient monies to deliver services. MTFS not delivered. Increased resources required to recover monies.	Robust recovery process in place. Attachments of Benefit/earnings are undertaken wherever possible however there are many cases for which an attachment is not possible and Bailiff action would then be required.	Effective	4	3	12	Sandra Stewart	Ilys Cookson			
7	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 forms introduced. Advice from legal. Publicity, reminders via SMT, corporate screensavers and the Wire. Information Governance Framework developed and implemented. Information Asset Register in place. Information Governance 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 and autocomplete of email addresses has been disabled in high risk areas.	Effective	4	3	12	Sandra Stewart	Aileen Johnson/Tim Rainey/ Wendy Poole			
Page 246	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.	Effective	4	3	12	Sandra Stewart and Executive Team	Senior Management Team and Beverley Stephens			
9	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.	Reduction in service quality, along with an impact on morale. Knowledge leakage with loss of experienced staff. Increase in customer complaints. Lack of capacity to deliver service transformation could impact on revenue savings and reform working. Possible reputational damage and impact on the service users and community. Potential for increase in civil claims, e.g. reduced spend on highways could increase the number and cost of compensation claims and increased fraudulent activity. Weak Cost Benefit Analysis models used to support redesign could result in financial issues.	Ongoing structured service redesigns to deliver services within funding envelopes which is monitored by ET. The Big Conversation/Budget consultations with the Tameside Community to help identify how to shape the savings targets around service delivery. GEARS/Annual Development Reviews for staff development.	Effective	4	3	12	Executive Team	Senior Management Team			

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10	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. Implications of reduced service provision not fully understood which could cause cost pressures in other areas and a drain on reserves. Staffing cuts, overspends, complaints and reputational damage. Reputational damage for the Directorate, having to find savings elsewhere, potentially impacting on staff numbers, level of service would be reduced. Failure to achieve within timescales would push future years cost pressures up impacting on future budget reductions.	Budget report presented to Council in February. MTFS updated regularly. Revenue and capital monitoring reported to ET and Board. Recovery plans in place. Service redesigns ongoing to deliver affordable services within funding envelopes. Big Conversation allows the community to help shape the new Tameside. All managers issued with funding envelopes, savings reviewed by ET/SMT, regular budget monitoring and reporting. CDT sessions to ensure managers aware of importance of achieving savings targets. Work is being undertaken by SMT to redesign the shape and size of the council. Agreed corporate projects and priorities.	Effective	4	3	12	Sandra Stewart	Ian Duncan			
	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.	Effective	4	3	12	Robin Monk	Damien Bourke			
12	The ICT development programme does not keep pace with organisational priorities and challenges facing Council services during the future changes to location and premises. Technical solutions and enhanced performance capacity are not available at the required pace to support major transformational change, budget savings and delivery of business as usual.	Loss or disruption of services. 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.	ICT Strategy being reviewed. Software and hardware being trialled and evaluated for effectiveness of use, so go live procedures work as required. Future planning in place for on going compliance with the PSN requirements. Ability to work without connection to network being reviewed.	Effective	4	3	12	Robin Monk	Tim Rainey			
13	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	Wendy Poole/ Sarah Dobson			
14	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			

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15	Increased demand for services due to demographic changes - Tameside is unable to meet the needs of its ageing population 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. POPP's project example of this. Working with key partners to examine options for integrated pathway working and efficiency delivery.	Effective	4	3	12	Stephanie Butterworth	Stephanie Butterworth	Development of the Integrated Care Organisation	Sandra Whitehead	April 2017
16	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.	Effective	4	3	12	Stephanie Butterworth	Emma Varnum			
17 NR	Adverse impact on the organisation due to the review of Employee Terms and Conditions.	Loss of staff, demotivated workforce. Non achievement of financial savings identified. Potential legal challenge.	Full consultation with staff and trade unions. Governance in place and feedback from the consultation reported to Cabinet. Update provided to Corporate Delivery Team for briefing to staff. Details provided in Chief Executive's Brief. Project Team working on the changes to contracts and Internal Audit will provide assurance that the changes are correct and that the Payroll system (iTrent) reflects the correct changes.	Effective	4	3	12	Sandra Stewart	Tracy Brennand	Proposed changes to contracts and iTrent are being reviewed, Internal Audit to undertake assurance work by end of May 2016.	Tracy Brennand/ Wendy Poole	May/June 2016
18 NR	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.	Deficit recovery planning support in place. The Council is only liable for a deficit if it instigates the associated Academy conversion. 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. Support services to schools will be reviewed during 2016/17. 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	Sandra Stewart/ Robin Monk/ Stephanie Butterworth	Damien Bourke/ Bob Berry/ Ian Duncan	Review of support services to schools to be undertaken, new arrangements to be implemented by April 2017.	Ian Duncan/ Tracy Brennand	April 2017
19	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 requirements. This includes reduced dependency on residential care and increased independent living at home at lower cost.	Effective	4	3	12	Stephanie Butterworth	Sandra Whitehead			
20	More frequent extreme weather due to climate change - more frequent occurrences e.g. Flooding, Heat waves, heavy snow and wind damage due to storms.	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.	24/7 Civil Contingencies team supported by operational services that can react to any climate related event.	Effective	5	2	10	Robin Monk	Ian Saxon			

	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
21	Delivery of Services - Failure to provide an appropriate Civil Contingencies response to an incident or emergency affecting the community or the Council.	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.	Corporate Business Continuity Plans in place supported by Directorate BCP's, Executive/IMT Plan. Subsequent development is underway to review BC process, delivery and planning. Emergency Plan, Community Risk Register, Statutory Duties. Director on Call in place and a Forward Incident Officer. Regular meetings and forums with Blue Light services and other LAs.	Effective	5	2	10	Robin Monk/ Sandra Stewart	Ian Saxon/ Wendy Poole	Business Continuity system is under review to meet with the needs of the Council.	Wendy Poole	October 2016
Page 249	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.	The Council has invested in the creation of a new School Performance and Standards Team as well as adding capacity in other areas of the education service which all support the school improvement agenda. A clear strategy is in place to support schools which is regularly monitored by the Council's Education Attainment Improvement Board.	Effective	5	2	10	Stephanie Butterworth	Bob Berry			
23	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 Strategic Planning & Capital Monitoring Group & disposals approved by Cabinet. There is a process in place to delivery £45m over 3 years.	Effective	3	3	9	Robin Monk	Damien Bourke			
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 due to the uninsured claims having to be settled with none budgeted funds.	Annual renewal process. Insurance contract let every 5 years. Advisors assist in process. Experienced staff in place.	Effective	4	2	8	Sandra Stewart	Wendy Poole			
25	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	Steven Taylor/Paddy Dowdall			
26	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	IT Back-Up system in place. Daily and weekly back ups taken. Back ups are stored off site. Server room developed in Hyde. Horizon scanning for future developments and improvements. Information Governance Framework in place, all staff should be reviewing the files they have as part of the 'Decant Project'. Information Asset Registers in place. retention Policy for email in place and project to put in place EDRMS and case management for all services underway.	Effective	4	2	8	Robin Monk	Tim Rainey/Julie Hayes			

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27	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 Executive Team and Board.	Effective	4	2	8	Executive Team	Senior Management Team			
28	Failure to target resources at the right families with the right intervention across early years and worklessness settings.	Financial and reputational implication of work and contacts. Improvements not achieved in accordance with the government funded scheme.	Early Years is a key strategic priority, including new commissioning responsibilities for HV/FNP. Worklessness a key strategic priority for new Communities teams in operation from May 16.	Effective	4	2	8	Stephanie Butterworth	Dominic Tumelty/Emma Varnum			
29 NR	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 initial response to Government. Professional advice will be sought throughout process.	Effective	4	2	8	Sandra Stewart	Euan Miller	Final submission of pooling proposals to be submitted to Government by 15 July 2016 - Successful pooling outcome will result in improved net investment returns and lower employer contribution rates	Euan Miller	July 2016
30 NR	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.	A great deal of failure demand and loss of reputation. Incorrect amounts of pensions may be paid.	Quotes are to be sought regarding having the GMPF/HMRC data surveyed to assess the scale of the work that is going to be involved.	Effective	4	2	8	Sandra Stewart	Ged Dale	The results of the survey will inform future actions.	Ged Dale	September 2016
Page 250	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 for corporate fraud. 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.	Effective	3	2	6	Sandra Stewart	Wendy Poole			
32	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.	A well established Strategic Neighbourhood Partnership and sub groups are established. With regular tension and performance monitoring through THAP group. 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	Stephanie Butterworth	Emma Varnam			

Report To:	Audit Panel
Date:	31 May 2016
Reporting Officer:	Paddy Dowdall, Assistant Director of Pensions (Local Investments and Property) Ian Duncan Assistant Executive Director – Resources, Governance and Pensions
Subject:	GMPF STATEMENT OF ACCOUNTS 2014-2015 GOVERNANCE ARRANGEMENTS
Report Summary:	This report aims to inform Members of the governance arrangements for approval of the accounts for Greater Manchester Pension Fund (GMPF) as part of the accounts of Tameside MBC as administering authority. Secondly, the report asks Members to approve the key assumptions for estimates to be used in the GMPF accounts.
Recommendations:	<ul style="list-style-type: none">(i) To note the governance arrangements for approval of GMPF accounts.(ii) To approve the assumptions for estimates to be used in the GMPF accounts.
Financial Implications: (Authorised by the Section 151 Officer)	<p>As the administering authority, Tameside MBC has important responsibilities in relation to the Greater Manchester Pension Fund. However, as the largest fund in the Local Government Pension Scheme, GMPF also has significant resources it deploys to meet those responsibilities. This paper sets out where the responsibilities lie.</p> <p>The assumptions used for valuing assets will have an impact on the value of assets reported in the accounts. In most circumstances the impact is unlikely to be material. For equities and bonds a bid basis is used that results in a more prudent outcome (v mid or offer basis).</p>
Legal Implications: (Authorised by the Solicitor to the Fund)	The administering authority must produce an annual report and accounts.
Risk Management:	GMPF's accounts are used to provide information to a variety of users and for a variety of purposes. The accuracy of the statements is critical in the determination of employer costs and there are clearly reputational issues relating to the validity of the accounts. The audit process provides reassurance on the integrity of the statements and mitigates against the possibility of material misstatement
ACCESS TO INFORMATION:	NON-CONFIDENTIAL This report does not contain information which warrants its consideration in the absence of the Press or members of the public.

Background Papers:

The background papers used in the preparation of this report were:

1. The 2015/2016 Financial Ledger
2. Closure Working Papers
3. GMPF Statement of Accounts 2015/2016

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

1. INTRODUCTION

1.1 This report covers two sections:

- Governance Arrangements
- The continued key assumptions made in compiling the accounts

2. GOVERNANCE ARRANGEMENTS

2.1 The key decision making body for GMPF is the Management Panel which approves the pension fund accounts and receives audit reports.

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

2.3 The provisional timetable for approval of the accounts and audit reports by these bodies for 2016/17 is outlined in the table below.

Date	Group	Stage
31 May	Audit Panel	Approval of key assumptions and noting of governance arrangements (TMBC and GMPF)
1 July	GMPF Management Panel	Approval of key assumptions and noting of governance arrangements (GMPF)
TBC Early September	Urgent Matters sub group of GMPF Management Panel	Approval of final accounts, annual report and audit report (GMPF)
12 September	Overview (Audit) Panel	Approval of final accounts, annual report and audit report (GMPF and TMBC)
23 September	GMPF Management Panel	Noting of the approval of final accounts, annual report and audit report

2.4 Financial requirements are that the pre-audit accounts of both TMBC and GMPF must be signed off by the S151 officer of the Council by 30 June.

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

2.6 The audit process must be completed before the end of September. The date for Overview (Audit) Panel is set at 12 September and the GMPF Management Panel has been set at 23 September - hence the need for an Urgent Matters sub group meeting of GMPF Management Panel before 12 September. The audit letters for both GMPF and the Council will be received formally by the TMBC Overview (Audit) Panel in September.

3. CONTINUED KEY ASSUMPTIONS

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

- Accruals basis

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

4. RECOMMENDATION

- 4.1 Members note the governance arrangements for the approval of the accounts for Greater Manchester Pension Fund as part of the accounts of Tameside MBC as administering authority.
- 4.2 Members approve the assumptions for estimates to be used in the GMPF Statement of Accounts 2015/2016 (The accounting policies and estimates for the accounts of TMBC are included elsewhere on this agenda).