



## ITEM NO: 4

<b>Report To:</b>	<b>JOINT EXECUTIVE CABINET &amp; AUDIT PANEL</b>
<b>Date:</b>	16 December 2015
<b>Reporting Officer:</b>	Councillor Kieran Quinn – Executive Leader, Tameside MBC. Steven Pleasant – Chief Executive, Tameside MBC Gareth Mills – Senior Manager, Grant Thornton
<b>Subject:</b>	<b>ANNUAL AUDIT LETTER</b>
<b>Report Summary:</b>	This report and the attached letter provides the Executive Cabinet and Audit Panel with the External Auditor's (Grant Thornton) findings for 2014/15 in respect of the audit of the Council's financial statements and the assessment of the Council's arrangements to achieve value for money in its use of resources. It reports unqualified accounts and concludes that the Council has proper arrangements in place to secure value for money.
<b>Recommendations:</b>	That the Executive Cabinet and Audit Panel note the report of Grant Thornton covering the audit of the Council's statement of accounts, the issues raised and the positive conclusion regarding value for money.
<b>Links to Community Strategy:</b>	The Sustainable Community Strategy and Local Area Agreement are key documents outlining the aims of the Council and its partners to improve the borough of Tameside (agreed in consultation with local residents).
<b>Policy Implications:</b>	The Annual Audit Letter provides valuable evidence regarding the quality of the financial statements of the Council and its ability to ensure that good value for money is provided.
<b>Financial Implications: (Authorised by the Section 151 Officer)</b>	There are no direct financial implications as a result of this report. However, the Annual Audit Letter does provide valuable evidence of the quality of financial management in the Council and demonstrates that high standards are being maintained despite the financial pressure the Council continues to address. This and the last report published on the 21.09.15 from our auditors demonstrate that whilst we are as resilient as we can be and compared with other councils doing extremely well in addressing our challenges, there is no room for complacency.
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	This report is a key accountability measurement as to how well as a Council we are performing in relation to delivering value for money and service delivery outcomes. It is a measure as to how well we are performing as guardian of public funds. the two priority areas are being addressed.
<b>Risk Management:</b>	The audit provides external verification from an independent organisation.
<b>Access to Information:</b>	Background papers relating to this report can be inspected by contacting Beverley Stephens, Head of Resource Management:-  Telephone:0161 342 3887  e-mail: Beverley.stephens@tameside.gov.uk

## **1. BACKGROUND**

- 1.1 This report is an annual report from the external auditor issued in line with Audit Commission and wider auditing guidelines. It sets out the conclusions arising from the auditors' work for the financial year ending 31 March 2015 and draws together previous reports issued earlier in the year.
- 1.2 The audit of the accounts is a fundamental test of governance in any council. Publishing accounts in a timely way and securing an unqualified opinion on them is the principal means by which those responsible for the stewardship of public money discharge their accountability for their financial performance. It should be borne in mind that every year a number of councils fail to meet the required timescales and are unable to conclude the audit process and complete the auditor's opinion within them.

## **2. ISSUES RAISED**

- 2.1 The letter sets out that an unqualified audit opinion was given by Grant Thornton, the Council's external auditor for the 2014/15 financial statements, which give a true and fair view of the Council's financial position as at 31 March 2015 and its income and expenditure for the year.
- 2.2 The letter also states that the Council had effective arrangements in place during 2014/15 to secure economy, efficiency and effectiveness and was therefore given an unqualified value for money conclusion. The letter also covers three areas of value for money:

### **Financial Resilience**

- 2.3 The auditor's report states that the Council has responded positively to the challenges created by the reduction in central government funding and continues to show strong financial resilience and good financial planning and management arrangements. The scale of the future challenge remains significant. Members will recall that the 2014/15 Financial Resilience report from the external auditors confirmed that for the third successive year the Council has been graded as having financial management arrangements that meet or exceed adequate standards in all areas.
- 2.4 The auditors refer to the overall reserves position and identify that the position is similar to peer authorities, demonstrating that we continue to be well placed to deal with the potential impact of continued spending pressures. Reserves are an important mechanism for dealing with unexpected events, smoothing service redesign programmes, supporting invest to save projects and mitigating risks and liabilities facing the Council. A prudent approach is particularly important as the risk profile of the Council has increased over the period of funding reductions.

### **Better Care Fund (BCF)**

- 2.5 The Council is seeking to establish a fully pooled budget and implement a strategic plan to support the transformation of health and social care services within the Borough. The integration plans for Tameside are more ambitious than most local authority areas, with ultimate plans for wider aligned budgets between the Council and CCG of c£300m. As external auditors to both the organisations, we continue to work closely with senior management of both entities, holding joint planning meetings to discuss the accounting and governance issues arising from integration on this scale the pooling of funds across health and social care will create a significant opportunity to transform the way that services are commissioned. Ensuring sufficient management capacity is maintained as this is implemented will continue to be an important issue for the Council and its partners. We will continue to work closely with both the Council and the CCG on this issue

### **Vision Tameside**

- 2.6 The auditor's report notes the significant capital project to relocate Tameside College and create a customer-focussed, energy efficient building for public services in Tameside on the site of the current Tameside Administrative Centre building. The Council continues to work with its partners to develop and deliver ambitious plans for investment and regeneration across the Borough – through the Vision Tameside project - including the major developments in Ashton-under-Lyne town centre. We have continued to meet with senior officers throughout the year to consider the progress being made. There is a level of contingency within the overall budget for the project. However, there are risks around the completion both in terms of construction build costs and furnishing costs. This major regeneration scheme continues to be closely managed but it is important for this on-going close monitoring and reporting to be maintained given the scale and complexity of this scheme.

### **Plantation Industrial Estate**

- 2.7 The auditor's report noted that the Council took out a finance lease in 2005-06 on Plantation Industrial Estate. The lease charge is £0.213m per year and has 90 years to run, resulting in gross future cash payments of £19.2m (before discounting). It was noted that the Council had valued the building at virtually zero, suggesting it has a worthless asset in relation to which it is currently committed to pay several millions of pounds over a substantial period. It was recommended that the Council should consider formally the value for money offered by this lease, including any alternative options that may be available.

### **Markazi Jamia Mosque**

- 2.8 The auditor's report commented that whilst the Council can demonstrate progress in implementing the prior year recommendations raised, that the mosque in Ashton-under-Lyne - constructed after the previous building had to be demolished to make way for the Northern Bypass - has still to be legally transferred over to the Trustees of the mosque. There is a risk that because legal ownership is yet to formally transfer to the Mosque Trustees; the Council could be liable for any structural or internal damages that may occur prior to the legal transfer. We are informed that the Council continues to try to resolve this matter but further action is required.

## **3 RECOMMENDATIONS**

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