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AUDIT PANEL

Day: Tuesday
Date: 12 March 2019
Time: 2.00 pm
Place: Lesser Hall 2 - 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**	1 - 4
	The Minutes of the meeting of the Audit Panel held on 23 October 2018 to be signed by the Chair as a correct record.	
4.	**EXTERNAL AUDIT PLAN 2018/19**	
a)	**COUNCIL**	5 - 26
	To consider the attached report of the Director of Finance.	
b)	**GMPF**	27 - 44
	To consider the attached report of the Director of Finance and Assistant Director of Pensions (Local Investment and Property).	
5.	**EXTERNAL AUDIT PROGRESS REPORT**	45 - 60
	To consider the attached report of the Director of Finance.	
6.	**ACCOUNTING POLICIES 2018/19**	
a)	**COUNCIL**	61 - 88
	To consider the attached report of the Director of Finance.	
b)	**GMPF**	89 - 92
	To consider the attached report of the Director of Finance and Assistant Director of Pensions (Local Investments and Property).	
7.	**RISK BASED VERIFICATION**	93 - 98
	To consider the attached report of the Assistant Director (Exchequer, Governance and Pensions).	

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Linda Walker, Senior Democratic Services Officer on 0161 342 2798 or linda.walker@tameside.gov.uk, to whom any apologies for absence should be notified.

Item No.	AGENDA	Page No
8.	**PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL TO JANUARY 2019** To consider the attached report of the Head of Risk Management and Audit Services.	99 - 126
9.	**CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY - FRAUD AND CORRUPTION TRACKER REPORT FOR TAMESIDE** To consider the attached report of the Head of Risk Management and Audit Services.	127 - 142
10.	**RISK MANAGEMENT** To consider the attached report of the Director of Finance and Head of Risk Management and Audit Services.	143 - 146
11.	**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 Linda Walker, Senior Democratic Services Officer on 0161 342 2798 or linda.walker@tameside.gov.uk, to whom any apologies for absence should be notified.

AUDIT PANEL

23 October 2018

Commenced: 2.00 pm **Terminated:** 2.35 pm

Present:	Councillors Ricci (Chair), Homer (Deputy Chair), Fairfoull, J Fitzpatrick and Peet	
In Attendance:	Sandra Stewart	Director of Governance and Pensions
	Kathy Roe	Director of Finance
	Wendy Poole	Head of Risk Management and Audit Services
Apologies for Absence:	Councillors Bailey, Kitchen and Bell	

11. DECLARATIONS OF INTEREST

There were no declarations of interest.

12. MINUTES

The Minutes of the proceedings of the meeting of the Audit Panel held on 29 May 2018 were agreed and signed as a correct record.

13. RISK MANAGEMENT

The Director of Finance submitted a report detailing the revised and updated Risk Management Policy and Strategy and the Corporate Risk Register, copies of which were appended to the report.

It was explained that risk management was facilitated by the Risk Management and Audit Service and risks were owned by members of the Senior Leadership Team, with support from Assistant Directors, managers and staff. The Risk Management Policy and Strategy had been reviewed and roles and responsibilities had been updated.

It was reported that the Corporate Risk Register had been updated in conjunction with the Senior Leadership Team to ensure that the risks were recorded against the correct Director following the recent management structure changes and that the register presented an up to date view of the corporate risks facing the Council. A risk relating to the phase 3 annex redevelopment of Ashton Old Baths Data centre had been added to the register alongside a risk relating to failure to comply with the Pension Regulator Code of Practice. The risk relating to the work on public service reform not delivering the expected savings and impact on the community had been removed from the register. In addition a number of risks had been updated / amended as follows:-

- The risk rating for the new college and joint public service centre in Ashton not being completed within time and budget had been reduced.
- The risk rating for the specification of the new shared services centre not being in line with future service delivery plans had been reduced.
- The risk rating for the property portfolio rationalisation necessary for the delivery of appropriate council wide services not being delivered and savings not being achieved had been increased.
- The risk rating relating to the illegal dumping of waste on public and private land within the borough had been increased.

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The Corporate Risk Register would continue to be presented to the Senior Leadership Team on a regular basis with updates provided to the Panel.

The Panel were informed that a detailed review of the risk management process would be undertaken over the coming months in order to compare the current process against best practice and practices across other local authorities and the Tameside and Glossop Clinical Commissioning Group.

It was confirmed that risks associated with STAR Procurement, the shared procurement service with Rochdale, Stockport and Trafford Councils, were included on the risk register.

RESOLVED:
(i) That the Risk Management Policy and Strategy be noted; and
(ii) That the Corporate Risk Register be approved.

14. PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL TO SEPTEMBER 2018

The Head of Risk Management and Audit Services submitted a report detailing the work undertaken by the Risk Management and Audit Service between April to September 2018.

The key priorities for the Risk Management and Insurance team during 2018/19 were detailed as follows:-

- To review the risk management system to ensure that it complied with best practice including a review of the service area risk register.
- To ensure the Corporate Risk Register was updated on a quarterly basis and reported to the Senior Leadership Team and the Audit Panel.
- To facilitate the continued implementation of the Information Governance Framework, ensuring that the Council was compliant with the General Data Protection Regulations (GDPR) and the Data Protection Act 2018.
- To review the Business Continuity Management system in place to streamline the process to create a management tool that was workable, with the capability to provide knowledge and information should a major incident occur affecting service delivery.
- To review the insurance database used by the team to ensure it was fit for purpose and that the reporting function was efficient and effective.
- To continue to support managers to assess their risks as services were redesigned to ensure that changes to systems and procedures remained robust and resilient offering cost effective mitigation and that claims for compensation could be successfully repudiated and defended should litigation occur.
- To attend management team meetings quarterly to provide updates on insurance, information governance, risk management and business continuity.

It was reported that Information Governance work had been prioritised in the first half of the year in light of the introduction of the General Data Protection Regulations and the Data Protection Act 2018. Templates had been refreshed and piloted within Operation and Neighbourhoods and workshops would be offered to all managers for them to update their plans. Support in relation to insurance claims had been provided to service areas and schools.

With regard to Internal Audit, reference was made to the Audit Plan, which had been approved in May 2018 and covered the period April 2018 to March 2019. An update on progress against the plan to 30 September 2018 was provided. It was reported that 48% of the audit plan had been achieved so far, which was an increase on previous years. A detailed review of the audit plan was currently underway in conjunction with senior management and the original plan of 1,757 days would be revised, taking into account any changes to available resources, and reported to a future meeting of the Panel

During the first half of the year, 16 final reports were issued in relation to systems and risk based audits. In addition, seven draft reports had been issued for management review and responses and these would be reported to the Panel in due course. Ten school audits were completed during the period, the results of which were summarised. In addition, four further audits had been completed and the draft reports had been issued to the Schools for management review and responses. 16 Post Audit Reviews had been completed during the period and a further 17 were in progress.

The Panel were notified that the review of Internal Audit against the Public Sector Internal Auditing Standards highlighted that the service was fully compliant with the requirements of the standard. The standards required a Quality Assurance and Improvement Programme to be in place and five service developments were listed in the report.

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

- Carillion / Vision Tameside
- Children's Services
- Pension Fund Pooling of Investments
- Health and Safety
- Management of CCTV
- Creditors
- Estates Management
- ICT Disaster Recovery and Business Continuity Planning
- Information Governance

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

With regard to Irregularities / Counter Fraud Work a summary of cases, which had been investigated during the period April to September 2018, was provided. In total, 17 cases had been received with 12 still under investigation. A table detailing the fraud type, number of cases, value of the fraud, the amount recovered to date and potential annual savings was outlined.

RESOLVED:
That the report and performance of the Service Unit for the period April to September 2018 be noted.

15. URGENT ITEMS

There were no urgent items.

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Report to:	**AUDIT PANEL**
Date:	12 March 2019
Reporting Officer:	Kathy Roe – Director of Finance
Subject:	**EXTERNAL AUDIT STRATEGY MEMORANDUM 2018/19 (COUNCIL)**
Report Summary:	As the Council's appointed External Auditors for 2018/19, Mazars are required to undertake work to enable them to form and express an opinion on the: • Financial Statements, including the Annual Governance Statement, that have been prepared by management with oversight of those charged with governance; and • Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in the use of resources. The Audit Strategy Memorandum provides an overview of the planned scope and timing of the statutory audit of the Council.
Recommendations:	That the Audit Strategy Memorandum for 2018/19, prepared by the Council's external auditors, is noted.
Corporate Plan:	Effective corporate governance and a robust approach to economy, efficiency and effectiveness underpin the delivery of the Corporate Plan.
Policy Implications:	There are no wider policy implications arising from this report.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	There are no direct financial implications arising from this report. The audit strategy memorandum sets out the work proposed by external audit to form a conclusion on the annual financial statements of the Council.
Legal Implications: (Authorised by the Borough Solicitor)	Enables the Council to comply with the Accounts and Audit Regulations 2011 and understand what the external audit will be considering in making a judgement.
Risk Management:	The Council has arrangements in place to ensure that the Council meets the required standards in financial reporting, and that robust arrangements are in place to ensure economy, efficiency and effectiveness in the use of resources. External Audit provide a source of assurance over these arrangements.
Background Information:	The background papers relating to this report can be inspected by contacting Heather Green, Finance Business Partner: Telephone: 0161 342 2929 e-mail: heather.green@tameside.gov.uk

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Audit Strategy Memorandum

Tameside Metropolitan Borough Council

Year ending 31 March 2019

CONTENTS

Mazars LLP

One St Peter's Square

Manchester

M2 3DE

Audit Panel Members
Tameside Metropolitan Borough Council
PO Box 304
Ashton-under-Lyne
0L6 0GA

19 February 2019

Dear Members of the Audit Panel

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for the Tameside Metropolitan Borough Council for the year ending 31 March 2019.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 8 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Tameside Metropolitan Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0161 238 9248.

Yours faithfully

Karen Murray

Karen Murray

Director and Engagement Lead

Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of Tameside Metropolitan Borough Council for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: www.psaa.co.uk/audit-quality/terms-of-appointment/

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so as to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

Value for Money

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in it its use of resources. We discuss our approach to Value for Money work further in section 6 of this report.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or the Audit Panel, as those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

2. YOUR AUDIT ENGAGEMENT TEAM

Karen Murray
Director and Engagement Lead

Email: Karen.murray@mazars.co.uk

Tel: 0161 238 9248

Stephen Nixon
Senior Manager

Email: Stephen.Nixon@mazars.co.uk

Tel: 0161 238 9233

Justine Ogden
Assistant Manager

Email: Justine.ogden@mazars.co.uk

Tel: 0161 238 9206

In addition an engagement quality control reviewer has been appointed for this engagement.

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

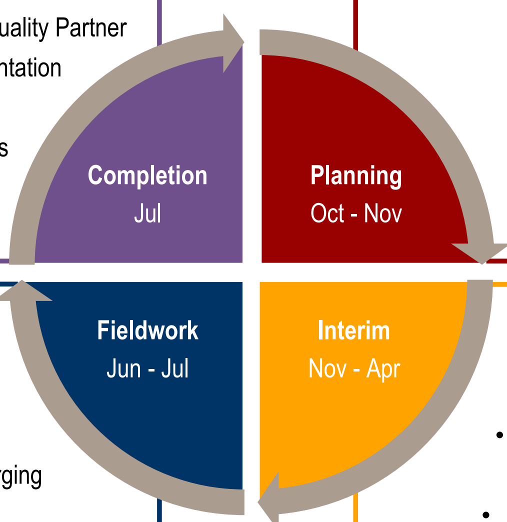
If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 4.

The diagram below outlines the procedures we perform at the different stages of the audit.

- Final review and disclosure checklist on financial statements
- Final review by Audit Director and Quality Partner
- Agreeing content of letter of representation
- Reporting to Audit Panel
- Reviewing post balance sheet events
- Signing our opinion
- Whole of Government accounts

- Updating our understanding of the Council
- Initial opinion and value for money risk assessments
- Agreement of timetables
- Preliminary analytical procedures



- Review of draft financial statements
- Reassessment of audit strategy, revising as necessary
- Delivering our planned audit testing
- Continuous communication on emerging issues
- Clearance meeting

- Documenting systems and controls
- Walkthrough procedures
- Development of our audit strategy
- Controls testing, including general and application IT controls
- Early substantive testing of transactions

3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to inform our audit risk assessment. We will meet regularly with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures. We have held initial discussions with the internal audit team in October 2018.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit pension liability valuation and disclosures	Hymans Robertson Actuary for the Greater Manchester Pension Fund	PWC Consulting actuary appointed by the NAO
Property (land and buildings) valuations	Mathews and Goodman	We will use available third party information such as available indices to challenge the key valuation assumptions
Financial instrument disclosures	Link Asset Services	We will review Link's methodology to gain assurance that the fair value disclosures of the Council's financial assets and liabilities are materially correct.
Long Term Investments – Manchester Airport	BDO	Mazars' Financial Reporting Valuations Team

Reporting deadlines

The Council is required to produce draft accounts for audit by 31 May 2019 and to publish audited accounts by the statutory deadline of 31 July 2019.

We have been working with officers to agree a range of measures to ensure that we and the Council are well placed to meet the deadlines and to ensure that audit work is phased throughout the financial year to reduce the amount of audit testing required after the draft accounts are produced.

4. MATERIALITY AND MISSTATEMENTS

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Summary of initial materiality thresholds

Threshold	Initial threshold (£'000s)
Overall materiality	£9,459
Specific materiality- Senior Officer Remuneration	£1
Trivial threshold for errors to be reported to the Audit Committee	£300

Materiality

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial. We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

4. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Our provisional materiality is set based on a benchmark of Gross Revenue Expenditure. We consider that Gross Revenue Expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We expect to set a materiality threshold at 2% of Gross Revenue Expenditure.

Based on the audited 2017/18 statement of accounts we anticipate the overall materiality for the year ending 31 March 2019 to be in the region of £9.5m. After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £300k based on the expected threshold set by the NAO for reporting on Whole of Government Accounts returns.

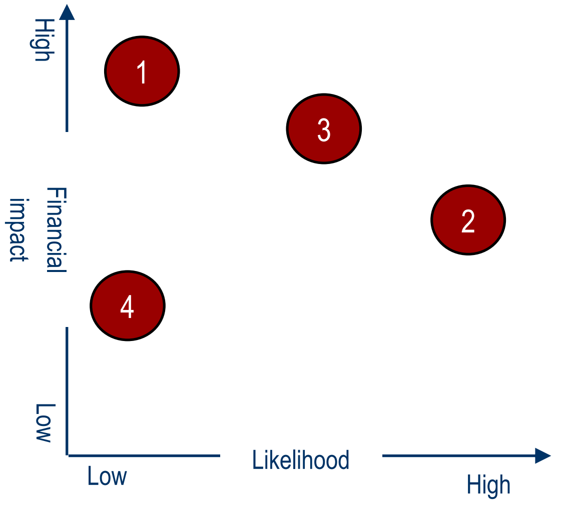
If you have any queries about this please do not hesitate to raise these with Karen Murray.

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS AND ENHANCED RISKS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of your financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

Significant risk	A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.
Enhanced risk	An enhanced risk is an area of higher assessed risk of material misstatement ('RMM') at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to: • key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and • other audit assertion risks arising from significant events or transactions that occurred during the period.
Standard risk	This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the audit risk continuum below, highlights those risks which we deem to be significant.. We have summarised our audit response to these risks on the next page.



	Risk
1	Management override of control
2	Property, plant and equipment valuation
3	Defined benefit liability valuation
4	Fraudulent revenue recognition (rebutted)

MAZARS

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS AND ENHANCED RISKS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Panel.

Significant risks

	Description of risk	Planned response
1	**Management override of controls** Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We plan to address the risk through performing audit procedures that cover a range of areas, including: • Material accounting estimates • Journal entries, focussing on those that we determine to contain certain risk characteristics; and • Any significant transactions outside the normal course of business or otherwise unusual.
2	**Property (land and buildings) valuation** The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment (PPE), with the majority of property assets required to be carried at valuation. Due to the high degree of estimation uncertainty associated with these valuations especially within land and buildings, we have determined there is a significant risk in this area.	We will carry out a range of procedures designed to address the risk. These will include: • Assessing the skill, competence and experience of the Council's external valuer; • Reviewing the instructions issued to the external valuer by management to ensure they comply with the Code requirements; • Consider whether the overall revaluation methodology used by the Council valuer is in line with industry practice, social housing statutory guidance, the CIPFA Code of Practice and the Council's accounting policies; • Understanding the process followed by management to seek assurance that any land and buildings assets not revalued at 31 March 2019 are not materially misstated; • Assess the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time; • Testing the valuation on a sample of properties. • Test a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS AND ENHANCED RISKS (CONTINUED)

Significant risks (continued)

	Description of risk	Planned response
3	**Defined benefit liability valuation** The Council's accounts contain material liabilities relating to the local government pension scheme administered by the Greater Manchester Pension Fund (GMPF). The Council replies upon an actuary, Hymans Robertson to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.	We will carry out a range of procedures designed to address the risk. These will include: • Corresponding with the GMPF auditor to gain assurance on their audit of the fund; • Assessing the skill, competence and experience of the Fund's actuary, Hymans Robertson including a review of the actuary by our actuarial expert PWC; • Challenging the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation; and • Carrying out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.
4	**Fraudulent revenue recognition** We do not consider this to be a significant risk for Tameside Metropolitan Borough Council as the majority of Council income comes from local taxes, grants and fees and charges. These are predictable and less prone to fraudulent manipulation by a material amount. Also management is not incentivised to boost income and we consider ethical standards at the council to be high. We therefore rebut this risk and do not incorporate specific risk procedures over and above our standard fraud procedures to address the risk of fraudulent revenue recognition.	We plan to establish and document a detailed understanding of revenue sources to support the rebuttal of the fraudulent revenue recognition risk. Revenue sources are tested through our standard audit processes. This includes income from Council Tax, Non-domestic rates and grants. We recognise that income from fees and charges is more susceptible to management input so we will carry out more detailed sample testing, including cut-off testing addressing the various sources of fees and charges. If during our audit we identify any material revenue streams which we consider may present a material risk of fraudulent revenue recognition, we will revisit the rebuttal and update management and the Audit Panel of any additional audit procedures required.

Other key areas of management judgement, key audit matters and enhanced risks

	Description of risk	Planned response
5	**Valuation of shareholding in Manchester Airport** The valuation of the Council's shareholding in the Airport involves judgement as it is not publicly traded.	We will review the work of BDO as management's expert used to value the shares held in the Airport and ensure the valuation is properly recorded in the accounts.
6	**Valuation of Tameside One building** The Council's Balance Sheet will include the Tameside One building. Estimation is used in the valuation of the site at the year end.	We will ensure that the Tameside One building is correctly valued and accounted for in the 31 March 2019 Balance Sheet.

6. VALUE FOR MONEY WORK

Our approach to value for money work

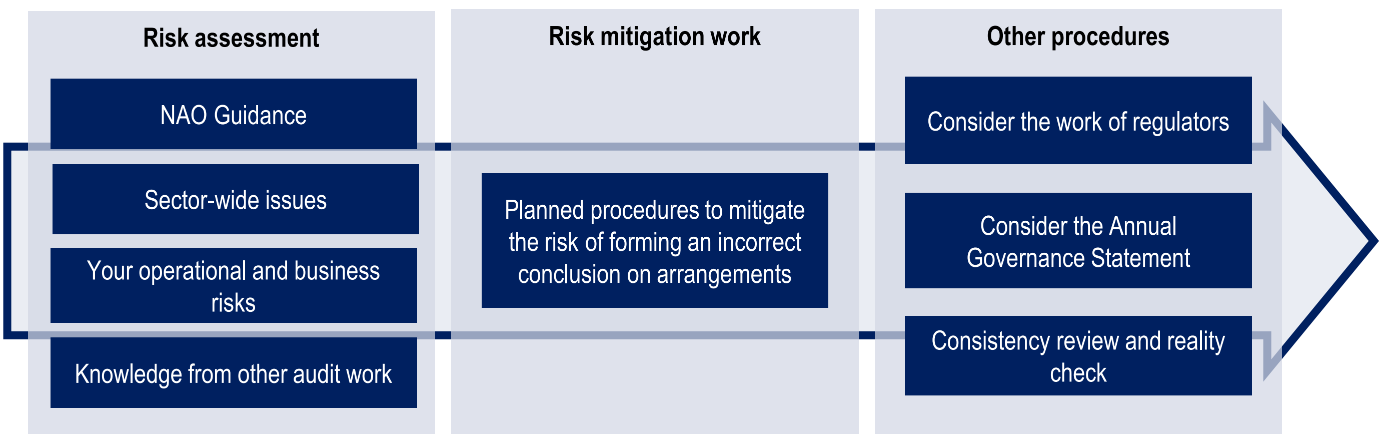
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake is provided below.



Significant value for money risks

The NAO’s guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2018/19 financial year, we have identified the following significant risks to our VFM work:

Description of significant risk	Planned response
1. Inadequate Ofsted rating Ofsted rated the Council’s Children’s Services as ‘inadequate’ in December 2016 and the safeguarding board as ‘requires improvement’. Key areas of concern included the backlog of cases, leadership, management and governance. The Council now has an established Improvement Board and is working with partners to progress with the Improvement Plan. External scrutiny, support and challenge from Stockport MBC as Improvement Partner, from the DfE Intervention Advisor, from Ofsted, and from peer consultation with other local authorities is reversing the earlier slow progress. The VFM risk relates to our gaining a full understanding of the interventions made by the Council to address the original concerns raised by OFSTED. The full extent of the improvement will not be known until OFSTED carries out a full re-inspection to reassess the rating.	We will review the progress made by the Council to address the concerns raised by Ofsted. NAO sub criteria: • Informed decision making

6. VALUE FOR MONEY WORK (CONTINUED)

Description of significant risk	Planned response
2. Care Together The Care Together Programme and the creation of an integrated system of health and social care brings together Tameside and Glossop Clinical Commissioning Group (CCG), Tameside Metropolitan Borough Council and Tameside and Glossop Integrated Care NHS Foundation Trust to reform health and social care services to improve the health outcomes of residents and reduce health inequalities. Resources were pooled into a single Integrated Commissioning Fund (ICF) underpinned by a financial framework which became operational on 1 April 2016. The ICF enables single commissioning arrangements for healthcare with decisions made at a single Strategic Commissioning Board. The Council and CCG commenced reporting on the total of all resource available to the Council and CCG in 2018/19 as approved at full Council on 21 May 2018. The single budget is now reported monthly to the Strategic Commissioning Board and Executive Cabinet The ICF is made up of a pooled budget, aligned services agreement and in-collaboration services agreement. The 2018/19 ICF Strategic Financial Plan is for net expenditure of £580.344m, of which £186.514m (32%) is contributed by the Council.	We will gain an understanding of the governance arrangements and the decision making framework for the Care Together programme. This will include understanding the financial impact for the Council. NAO sub criteria: • Informed decision making • Sustainable resource deployment

7. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA.

Service	2017/18 fee	2018/19 fee
Code audit work	£105,017	£80,863

Fees for non-PSAA work

We have not been asked by the Council to undertake any non-audit work outside of the scope of the PSAA terms of appointment.

Before agreeing to undertake any such additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 8.

8. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Karen Murray in the first instance.

Prior to the provision of any non-audit services Karen Murray will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2018/19

IFRS 9 Financial Instruments - the standard replaces IAS 39 and introduces significant changes to the recognition and measurement of the Council's financial instruments, particularly its financial assets.

Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised cost.

For Councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. At this stage it is unclear whether statutory provisions, over and above those already in place, will be put in place to mitigate the impact of these fair value movements on the Council's general fund balance.

IFRS 15 Revenue from Contracts with Customers - the 2018/19 Code also applies the requirements of IFRS 15, but it is unlikely that this will have significant implications for most local authorities.

There are no other significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2018/19.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 16 – Leases	2020/21	The new leasing standard was originally to adopted by the Code for the 2019/20 financial year but has since been delayed until 2020/21. IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Council (and its schools) are party to.

APPENDIX C – MAZARS' CLIENT SERVICE COMMITMENT

We are here because of our clients; serving them in the best way we can is part of our DNA. We operate a Code of Conduct which drives our client service commitment in all areas, as set out below.

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Report to:	**AUDIT PANEL**
Date:	12 March 2019
Reporting Officer:	Kathy Roe, Director of Finance Paddy Dowdall, Assistant Director of Pensions (Local Investments and Property)
Subject:	**EXTERNAL AUDIT STRATEGY MEMORANDUM 2018/19 (GMPF)**
Report Summary:	As GMPF's appointed External Auditors for 2018-19, Mazars LLP are required to undertake work to enable them to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit plan provides an overview of the planned scope and timing of the statutory audit of GMPF.
Recommendations:	That the external plan for 2018-19 is noted.
Corporate Plan:	Effective corporate governance and a robust approach to economy, efficiency and effectiveness underpin the delivery of the Corporate Plan.
Policy Implications:	There are no wider policy implications arising from this report.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	There are no direct financial implications arising from this report.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates the Council's compliance with the Accounts and Audit Regulations 2018.
Risk Management:	The Council has arrangements in place to ensure that the Council meets the required standards in financial reporting, and that robust arrangements are in place to ensure economy, efficiency and effectiveness in the use of resources. External Audit provides a source of assurance over these arrangements.
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 Information:	The background papers relating to this report can be inspected by contacting Tracey Boyle Telephone: 0161 301 7116 e-mail: tracey.boyle@tameside.gov.uk

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Audit Strategy Memorandum

Greater Manchester Pension Fund

Year ending 31 March 2019

CONTENTS

Mazars LLP
One St. Peters' Square
Manchester
M2 3ED

Members of the Audit Panel
Tameside Metropolitan Borough Council
Dukinfield Town Hall
King Street
Dukinfield
SK16 4LA

18 February 2019

Dear Sirs / Madams

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for Greater Manchester Pension Fund (the Fund) for the year ending 31 March 2019

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 6 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07721 234043.

Yours faithfully

Karen Murray, Director and Engagement Lead

For and on behalf of Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of the Fund for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Fund for the year.

Consistency report

We are required to form and express an opinion on the consistency of the financial statements within the Fund's annual report and the Fund's financial statements included in the Statement of Accounts of Tameside Metropolitan Borough Council.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of Tameside Metropolitan Borough Council and consider any objection made to the accounts. This would include an objection made to the accounts of the Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Fund is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Audit Panel as those charged with governance.

2. YOUR AUDIT ENGAGEMENT TEAM

Engagement Lead

Karen Murray, Audit Director
- karen.murray@mazars.co.uk
- 07721 234043

Engagement Manager

Ian Pinches, Audit Manager
- ian.pinches@mazars.co.uk
- 07909 977987

Engagement Team Leader

Kelly Cleaver, Audit Senior
- kelly.cleaver@mazars.co.uk
- 07909 983372

In addition as outlined in our engagement pack an engagement quality control reviewer has been appointed for this engagement.

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

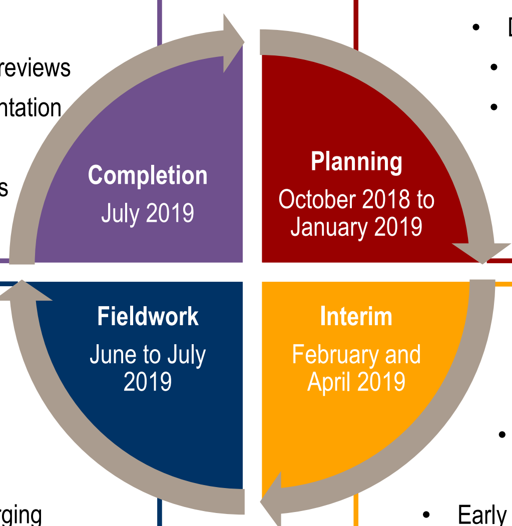
If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 7.

The diagram below outlines the procedures we perform at the different stages of the audit.

- Final review and disclosure checklist of financial statements
- Final review of Annual Report
- Final Engagement Lead and EQCR reviews
- Agreeing content of letter of representation
- Reporting to Audit Panel
- Reviewing post balance sheet events
- Signing our opinions

- Updating our understanding of the Fund
- Initial opinion risk assessments
- Development of our audit strategy
- Documenting systems and controls
- Walkthrough procedures



- Review of draft financial statements
- Review of draft Annual Report
- Reassessment of audit strategy, revising as necessary
- Delivering our planned audit testing
- Continuous communication on emerging issues
- Clearance meeting

- Agreement of timetables
- Preliminary analytical procedures
- IAS19 assurance procedures
- Controls testing, including general and application IT controls
- Early substantive testing of transactions

3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Fund's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO Consulting actuary: PWC
Valuation of unquoted investments not traded on active markets	Investment managers and Custodians	None considered necessary

Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
Unquoted investment valuations and related disclosures	Investment managers and relevant organisations that provide valuations of unquoted investments	Substantive procedures
Stock lending including information used for the stock lending disclosure note	Custodian	Substantive procedures

4. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold (£m)
Overall materiality	225
Performance materiality	157
Specific materiality applicable to the Fund Account	80
Performance materiality applicable to the Fund Account	56
Trivial threshold for errors to be reported to the Audit Panel	7

Materiality
Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

4. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We will identify a figure for overall materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Panel. Our provisional overall materiality is set based on a benchmark of net assets.

We consider that net assets remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We expect to set a materiality threshold at 1% of net assets.

Based on investments reported to the Investment Advisory Panel as at 31 March 2018 we anticipate the overall materiality for the year ending 31 March 2019 to be in the region of £225m.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality
Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 70% of overall materiality as performance materiality.

Misstatements
We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Panel that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £7m based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Karen Murray.

Reporting to the Audit Panel
To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit Panel:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

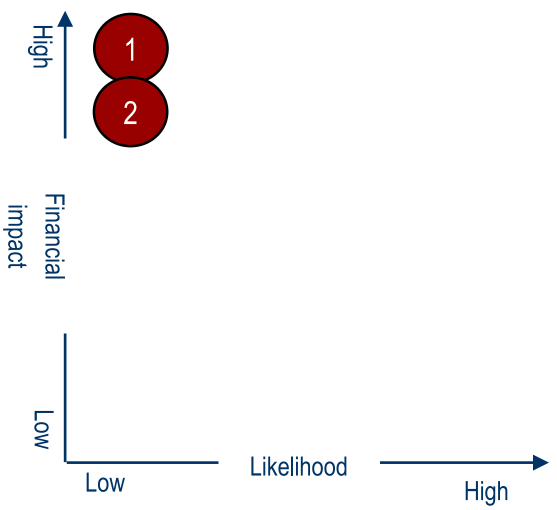
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



	Risk
1	Management override of control
2	Valuation of unquoted investments

5. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Panel.

Significant risks

	Description of risk	Planned response
1	**Management override of controls** Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.
2	**Valuation of unquoted investments for which a market price is not readily available** As at 31 March 2018 the fair value of investments which were not quoted on an active market was £3.7bn, which accounted for 16.4 per cent of net investment assets. The values included in the accounts are those provided by fund managers which are based on Net Asset Value or capital statements. This results in an increased risk of material misstatement.	We plan to address this risk by completing the following additional procedures: • agree the valuation to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • agree the investment manager valuation to audited accounts or other independent supporting documentation, where available; • where audited accounts are available, check that they are supported by a clear opinion; and • where available, review independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Fund's financial statements.

Key areas of management judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. We have not identified any such judgements.

6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Fund's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA.

Service	2018/19 fee
Code audit work	£43,383

7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP, are independent and comply with relevant ethical requirements. No threats to our independence have been identified. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Karen Murray in the first instance.

Prior to the provision of any non-audit services we will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2018/19

IFRS 9 Financial Instruments - the standard replaces IAS 39 and introduces significant changes to the recognition and measurement of the financial instruments, particularly financial assets.

Although the accounting changes may be complex and may require the reclassification of some instruments, it is unlikely that this will have a significant implications for most local government pension funds as most material financial instruments are already carried at fair value through profit and loss, and this is expected to continue under the new standard..

IFRS 15 Revenue from Contracts with Customers - the 2018/19 Code also applies the requirements of IFRS 15, but it is unlikely that this will have significant implications for most local government pension funds, including Greater Manchester Pension Fund.

There are no other significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2018/19.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 16 – Leases	2019/20	We anticipate that the new leasing standard will be adopted by the Code for the 2019/20 financial year. IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. Although the number of leases that the Fund is party to is expected to be low, it is important that work is undertaken to identify and assess all leases, particularly any implicit within a service contract.

APPENDIX C – MAZARS' CLIENT SERVICE COMMITMENT

We are here because of our clients; serving them in the best way we can is part of our DNA. We operate a Code of Conduct which drives our client service commitment in all areas, as set out below.

Report to:	**AUDIT PANEL**
Date:	12 March 2019
Reporting Officer:	Kathy Roe – Director of Finance
Subject:	**EXTERNAL AUDIT PROGRESS REPORT**
Report Summary:	As the Council's appointed External Auditors for 2018/19, Mazars are required to undertake work to enable them to form and express an opinion on the Financial Statements, including the Annual Governance Statement, and arrangements to secure value for money. This audit progress report provides the Audit Panel with an update on External Audit progress in delivering their responsibilities.
Recommendations:	That the External Audit progress report is noted.
Corporate Plan:	Effective corporate governance and a robust approach to economy, efficiency and effectiveness underpin the delivery of the Corporate Plan.
Policy Implications:	There are no wider policy implications arising from this report.
Financial Implications: **(Authorised by the statutory Section 151 Officer & Chief Finance Officer)**	There are no direct financial implications arising from this report.
Legal Implications: **(Authorised by the Borough Solicitor)**	This report provides high level information about the national framework which should assist the Council's compliance with auditing, accounting and governance requirements to deliver value for money.
Risk Management:	The Council has arrangements in place to ensure that the Council meets the required standards in financial reporting, and that robust arrangements are in place to ensure economy, efficiency and effectiveness in the use of resources. External Audit provide a source of assurance over these arrangements.
Background Information:	The background papers relating to this report can be inspected by contacting Heather Green, Finance Business Partner: Telephone: 0161 342 2929 e-mail: heather.green@tameside.gov.uk

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Audit Progress Report and Technical Update

Tameside Metropolitan Borough Council

12 March 2019

MAZARS

CONTENTS

1. AUDIT PROGRESS

Purpose of this report

This report provides the Audit Panel with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

Since the 2017/18 audit was completed by Grant Thornton we have commenced our initial and detailed planning of the 2018/19 audit. We have:

- held internal planning meetings as part of our planning process for the 2018/19 audit;
- held update meetings with finance in respect of planning for the 2018/19 interim and final audit visits;
- undertaken planning work to gather an understanding in respect of the Council's systems (including undertaking walkthrough testing);
- undertaken early transaction testing as part of our interim visit covering the following areas:
  - payroll analytical review
  - housing benefit expenditure
  - land and buildings ownership testing
- agreed opening balances at 1 April 2018 to the prior year closing balances
- met with the Borough Solicitor to discuss key governance issues relevant to our audit;
- held update meetings with Internal Audit to update our audit risk assessment;
- undertaken our risk assessment as part of planning for our 2018/19 VFM conclusion; and
- prepared our Audit Strategy Memorandum, which is being presented to the Audit Panel as a separate item to this Committee.

Our work is on track, and there are no significant matters arising from our work that we are required to report to you at this stage.

Final accounts workshop

Officers attended our chief accountant's workshop which was held on 5 February. The event, which was free of charge, provided an opportunity for us to make you aware of technical issues early in order to support a smooth closedown and to allow your finance team to raise any issues with our team in order to secure an early resolution. The event, which was attended by representatives from all councils in Manchester plus others from across Cheshire and Merseyside, provided an opportunity for finance professionals to network with colleagues.

2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATE

	Publication/update	Key points
National Audit Office (NAO)		
1.	**Local auditor reporting in England 2018**	Main findings reported by auditors in 2017/18.
2.	**Local authorities - governance**	Consideration of VfM and financial sustainability in local authorities.
3.	**NHS financial sustainability**	Current picture not sustainable and yet to be seen whether spending plans will deliver the change required.
4.	**A review of the role and costs of clinical commissioning groups**	Organisational stability needed.
Public Sector Audit Appointments Ltd (PSAA)		
5.	**Local quality audit forum**	December 2018 forum slides available online.
6.	**Oversight of audit quality, quarterly compliance reports**	No significant issues.
Chartered Institute of Public Finance and Accountancy (CIPFA		
7.	**Scrutinising Public Accounts: A Guide to Government Accounts**	Online publication resource available.
8.	**CIPFA Fraud and Corruption Tracker 2017/18**	Annual report. Increase in fraud detected or prevented.
Mazars		
9.	**Summary of NHS long-term plan**	In this briefing on the new NHS long-term plan, Mazars have highlighted the implications of the plan for local government and the key questions that local authorities should be considering.

2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATE

1. Local auditor reporting in England 2018, NAO, January 2019

Since 2015, the Comptroller and Auditor General (C&AG) has been responsible for setting the standards for local public audit, through maintaining a Code of Audit Practice and issuing associated guidance to local auditors.

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the C&AG took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors. The report highlights a number of points as summarised below.

- Auditors gave unqualified opinions on financial statements in 2015-16, 2016-17 and 2017-18. This provides assurance that local public bodies are complying with financial reporting requirements. As at 17 December 2018, auditors had yet to issue 16 opinions on financial statements, so this does not yet represent the full picture for 2017-18.
- Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. Again, as at 17 December 2018, auditors had yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18. This level of qualifications reinforces the need to ensure that local auditors' reporting informs as much as possible relevant departments' understanding of the issues facing local public bodies.
- Auditors qualified their conclusions at 40 (8%) of local government bodies. The proportion of qualifications was highest for single-tier local authorities and county councils where auditors qualified 27 (18%) of their value for money arrangements conclusions. The qualifications were for weaknesses in governance arrangements, often also highlighted by inspectorates' ratings of services as inadequate.
- More local NHS bodies received qualified conclusions on arrangements to secure VfM than local government bodies. In 2017-18, auditors qualified 168 (38%) of local NHS bodies' conclusions; up from 130 (29%) in 2015-16, mainly because of not meeting financial targets such as keeping spending within annual limits set by Parliament; not delivering savings to balance the body's budget; or because of inadequate plans to achieve financial balance. The increase between 2015-16 and 2017-18 is particularly steep at clinical commissioning groups, with qualifications for poor financial performance increasing from 21 (10%) in 2015-16 to 67 (32%) in 2017-18.
- Local auditors are using their additional reporting powers, but infrequently. Since April 2015, local auditors have issued only three Public Interest Reports, and made only seven Statutory Recommendations. These Public Interest Reports have drawn attention to issues such as unlawful use of parking income, governance failings in the oversight of a council-owned company, management of major projects or members' conduct. Auditors have made Statutory Recommendations in relation to failing to deliver planned cost savings, poor processes for producing the annual financial statements and failure to address weaknesses highlighted by independent reviews.
- A significant proportion of local bodies may not fully understand the main purpose of the auditor's conclusion on arrangements to secure value for money and the importance of addressing those issues. 102 local public bodies were contacted where auditors had reported concerns about their arrangements to ensure value for money:

  - half of the bodies (51) said that the auditor's report identified issues that they already knew about;
  - fifty-seven (95%) of those responding said they had plans in place to address their weaknesses but only three were able to say that they had fully implemented their plans; and
  - twenty-six (25%) did not respond at all to the NAO's request.
- The extent to which central government departments responsible for the oversight of local bodies have formal arrangements in place to draw on the findings from local auditor reports varies. Processes in the relevant central government departments differ. The Department of Health & Social Care, NHS Improvement and NHS England have arrangements in place to monitor the in-year financial performance of local NHS bodies, and use information from local auditor reports to confirm their understanding of risks in the system. The Home Office and Ministry of Housing, Communities & Local Government consider the output from local auditors' reports to obtain a broad overview of the issues local auditors are raising, but there is a risk that these two departments may be unaware of all relevant local issues.

1. Local auditor reporting in England 2018, NAO, January 2019 (continued)

- Under the current local audit and performance framework, there is no direct consequence of receiving a non-standard report from the local auditor. Before 2010, a qualified value for money arrangements conclusion would have a direct impact on the scored assessments for all local public bodies published by the Audit Commission at that time. While departments may intervene in connection with the issues giving rise to a qualification, such as failure to meet expenditure limits, there are no formal processes in place, other than the local audit framework, that report publicly whether local bodies are addressing the weaknesses that local auditors are reporting.

A list of all local bodies that received a non-standard local auditor report for 2017-18 was published alongside the report.

https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/

2. Local authorities - governance, NAO, January 2019

The NAO has recently published a report on local authority governance, which examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

The report finds that local authorities have faced significant challenges since 2010. For example, they have seen a real-terms reduction in spending power of 29% and a 15% increase in the number of children in care. These pressures raise the risk of authorities' failing to remain financially sustainable and deliver services.

The way authorities have responded to these challenges have tested local governance arrangements. Many authorities have pursued large-scale transformations or commercial investments that carry a risk of failure or under-performance and add greater complexity to governance arrangements. Spending by authorities on resources to support governance also fell by 34% in real terms between 2010-11 and 2017-18, potentially increasing the risks faced by local bodies.

In 2017-18, auditors issued qualified VFM arrangements conclusions for around one in five single tier and county councils. A survey, carried out by the NAO, of external auditors indicates that several authorities did not take appropriate steps to address these issues.

Some external auditors have raised concerns about the effectiveness of the internal checks and balances at the local authorities they audit, such as risk management, internal audit and scrutiny and overview. For example, 27% of auditors surveyed by the NAO do not agree that their authority's audit committees provided sufficient assurance about the authorities' governance arrangements. Auditors felt that many authorities are struggling in more than one aspect of governance, demonstrating the stress on governance at a local level.

Some authorities have begun to question the contribution of external audit to providing assurance on their governance arrangements. 51% of chief finance officers from single tier and county councils responding to our survey indicated that there are aspects of external audit they would like to change. This includes a greater focus on the value for money element of the audit (26%). External auditors recognise this demand within certain local authorities. However, their work must conform to the auditing standards they are assessed against and any additional activity may have implications for the fee needed for the audit.

The report also finds that MHCLG does not systematically collect data on governance, meaning it can't rigorously assess whether issues are isolated incidents or symptomatic of failings in aspects of the system. MHCLG recognises that it needs to be more active in leading co-ordinated change across the local governance system. The report recommends that MHCLG works with local authorities and other stakeholders to assess the implications of, and possible responses to, the various governance issues identified. It should examine ways of introducing greater transparency and openness to its formal and informal interventions in local authorities and should adopt a stronger leadership role in overseeing the network of organisations managing key aspects of the governance framework.

https://www.nao.org.uk/report/local-authority-governance-2/

3. NHS financial sustainability, NAO, January 2019

This is the NAO's seventh report on the financial sustainability of the NHS. In its recent reports, in December 2015, November 2016 and January 2018, the NAO concluded that financial problems in the NHS were endemic and that extra in-year cash injections to trusts had been spent on coping with current pressures rather than the transformation required to put the health system on a sustainable footing. To address this, local partnerships of clinical commissioning groups (CCGs), NHS trusts and NHS foundation trusts (trusts) and local authorities were set up to develop long-term strategic plans and transform the way services are provided more quickly.

In June 2018, the Prime Minister announced a long-term funding settlement for the NHS, which will see NHS England's budget rise by an extra £20.5 billion by 2023-24. Between 2019-20 and 2023-24, this equates to an average annual real-terms increase of 3.4%. The government asked NHS England to produce a 10-year plan that aims to ensure that this additional funding is well spent. In return for this extra funding, the government has set the NHS five financial tests to show how the NHS will do its part to put the service onto a more sustainable footing.

This report covers 2017-18, so the NAO first concludes on financial sustainability for that year. The NAO considers that the growth in waiting lists and slippage in waiting times, and the existence of substantial deficits in some parts of the system, offset by surpluses elsewhere do not add up to a picture that can be described as sustainable. Recently, the long-term plan for the NHS has been published, and government has committed to longer-term stable growth in funding for NHS England.

In the NAO's view these developments are positive, and the planning approach seen so far looks prudent. The NAO further states that it will really be able to judge whether the funding package will be enough to achieve the NHS' ambitions when we know the level of settlement for other key areas of health spending that emerges from the Spending Review later in the year. This will help inform whether there is enough to deal with the embedded problems from the last few years and move the health system forward.

https://www.nao.org.uk/report/nhs-financial-sustainability/

4. A review of the role and costs of clinical commissioning groups, NAO, December 2018

Clinical commissioning groups (CCGs) are clinically-led statutory bodies that have a legal duty to plan and commission most of the hospital and community NHS services in the local areas for which they are responsible. CCGs are led by a Governing Body made up of GPs, other clinicians including a nurse and a secondary care consultant, and lay members. They were established as part of the Health and Social Care Act in 2012 and replaced primary care trusts on 1 April 2013. Since their formation, there have been eight formal mergers of CCGs, which have reduced their number from 211 to 195 as at April 2018. The smallest CCG (Corby) covers a population of 78,000, while the largest (Birmingham and Solihull) covers a population of 1.3 million.

Since commissioning was introduced into the NHS in the early 1990s, there have been frequent changes to the structure of commissioning organisations. This looks set to continue, with the role of CCGs evolving as the NHS pursues a more integrated system across commissioners and providers. Consequently, there are likely to be more CCG mergers and increased collaborative working between CCGs and their stakeholders, for example healthcare providers and local authorities

This review sets out:

- changes to the commissioning landscape before CCGs were established;
- the role, running costs and performance of CCGs; and
- the changing commissioning landscape and the future role of CCGs.

CCGs were created from the reorganisation in how healthcare services are commissioned in the NHS. They were designed to give more responsibility to clinicians to commission healthcare services for their communities and were given resources to do this. NHS England's assessment of CCGs' performance shows a mixed picture. Over half of CCGs were rated either 'outstanding' or 'good', but 42% (87 of 207) are rated either 'requires improvement' or 'inadequate', with 24 deemed to be failing, or at risk of failing. Many CCGs are struggling to operate within their planned expenditure limits despite remaining within their separate running cost allowance. Attracting and retaining high-quality leadership is an ongoing issue.

4. A review of the role and costs of clinical commissioning groups, NAO, December 2018 (continued)

There has been a phase of CCG restructuring with increased joint working and some CCGs merging. If current trends continue, this seems likely to result in fewer CCGs covering larger populations based around STP footprints. This larger scale is intended to help with planning, integrating services and consolidating CCGs' leadership capability. However, there is a risk that commissioning across a larger population will make it more difficult for CCGs to design local health services that are responsive to patients' needs, one of the original objectives of CCGs.

CCGs have the opportunity to take the lead in determining their new structures. NHS England is expected to set out its vision for NHS commissioning in its long-term plan for the NHS to be published in December 2018. NHS England has said it will step in where CCGs diverge from its vision of effective commissioning. However, it has not set out fully the criteria it will use to determine when to step in.

The NAO's previous work on the NHS reforms brought in under the Health and Social Care Act 2012 highlighted the significant upheaval caused by major organisational restructuring. It is therefore important that the current restructuring of CCGs creates stable and effective organisations that support the long-term aims of the NHS. Following almost three decades of change, NHS commissioning needs a prolonged period of organisational stability. This would allow organisations to focus on transforming and integrating health and care services rather than on reorganising themselves. It would be a huge waste of resources and opportunity if, in five years' time, NHS commissioning is going full circle and undergoing yet another cycle of restructuring.

https://www.nao.org.uk/report/a-review-of-the-role-and-costs-of-clinical-commissioning-groups/

5. Local Audit Quality Forum, Public Sector Audit Appointments, December 2018

The Local Audit Quality Forum (LAQF) is a forum within which representatives of relevant audit bodies can work together and collaborate with others to share good practice and strive to enable improvements in the quality, efficiency and effectiveness of audit arrangements and practices in principal local authorities and police bodies in England. PSAA wants to develop a momentum and a passion for continuous improvement in audit arrangements throughout the entities and sectors for which PSAA has a mandate.

Slides of the Manchester December 2018 event are available on the PSAA website as per the link below.

The theme of the Manchester event was financial resilience and sustainability, a major challenge for all local authorities and police bodies in the current climate and a key strategic concern as bodies prepare 2019/20 budgets and update medium term plans. The event explored:

- the nature and scale of the sustainability challenges facing local bodies;
- the strategies and disciplines which can help to address them successfully; and
- the roles and responsibilities of Chief Finance Officers and Auditors in helping to maintain resilience and sustainability.

https://www.psaa.co.uk/local-audit-quality-forum3/local-audit-quality-forum/

6. Oversight of audit quality, quarterly compliance reports 2017/18, Public Sector Audit Appointments Ltd

There are no significant issues arising in the latest quarterly compliance report issued by PSAA.

https://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/

2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATE

7. Scrutinising Public Accounts: A Guide To Government Finances, CIPFA, November 2018

This guide provides an overview of the different processes for budgeting and performance reporting in central and local government, health bodies and includes key questions to ask when scrutinising government financial statements using examples based on UK public sector accounts.

This publication is only available online.

https://www.cipfa.org/policy-and-guidance/publications/s/scrutinising-public-accounts-a-guide-to-government-finances

8. CIPFA Fraud and Corruption Tracker 2017/18, CIPFA, October 2018

The CIPFA Fraud and Corruption Tracker (CFaCT) survey gives a national picture of fraud, bribery and corruption across UK local authorities and the actions being taken to prevent it. It aims to:

- help organisations understand where fraud losses could be occurring;
- provide a guide to the value of detected and prevented fraud loss;
- help senior leaders understand the value of anti-fraud activity; and
- assist operational staff to develop pro-active anti-fraud plans.

The 2017/18 report shows that fraud continues to pose a major financial threat to local authorities, with £302m detected or prevented by councils in 2017/18. While this was £34m less than last year's total, the report revealed an overall increase in the number of frauds detected or prevented – up to 80,000, from the 75,000 cases found in 2016/17. Among these cases there are reminders of some of the challenges being faced by local authorities, with the number of serious or organised crime cases doubling to 56, and a significant increase in the amount lost to business rates fraud, which jumped to £10.4m in 2017/18 from £4.3m in 2016/17.

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/local-councils-detect-or-prevent-£302m-in-fraud-in-2017-18

9. Summary of NHS long-term plan, Mazars, January 2019

To support local planning, local health systems will receive five-year indicative financial allocations for 2019/20 to 2023/24 and be asked to produce local plans for implementing the commitments set out in the NHS Long Term Plan. But what does it mean for local government?

The Plan recognises that more focus is needed on community care, mental health and wellbeing, reducing health inequalities and preventative care. The implications for local authorities should become clearer with a green paper expected later this year. With NHS revenue funding to grow by an average of 3.4% in real terms a year over the next five years delivering a real term increase of £20.5 billion by 2023/24, this extra spending will need to deal with current pressures and unavoidable demographic change and other costs, as well as new priorities.

Relationships between the NHS and local government could be more challenging since the direct and significant financial relationship with the NHS through the Better Care Fund is facing an overhaul and the extent of structural overhaul facing the NHS, through the advancement of Integrated Care Systems, requires time and effort.

(continued over)

2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATE

In this briefing, we cover:

- System Architecture and Planning
- Prevention and Inequalities
- Out of Hospital Care - Primary/Community Services
- Urgent/ Emergency Care
- Elective Care

Theme	Key features	Implications and questions for local government
System Architecture and Planning	Integrated Care Systems (ICS) will be everywhere by April 2021 with the "'triple integration' of primary and specialist care, physical and mental health services, and health with social care" at a place level with commissioners sharing decisions on planning with providers. Each ICS will have a single set of commissioning decisions at the system level. This will typically involve a single Clinical Commissioning Group (CCG) for each ICS area with CCGs to become leaner, more strategic organisations working with partners, population health, service redesign and delivery of the plan. ICS constitution will involve a partnership board consisting of commissioners, trusts, primary care networks, non-executive chair and an accountable Clinical Director for each Primary Care network. There will also be a new ICS accountability and performance framework to provide a consistent and comparable set of performance measures. It will include a new 'integration index' to measure how joined up the system is. This is interesting as it's the public voice.	Integrated Care Systems will have a key role in working with local authorities at the 'place' level and, through the ICS governance structure, commissioners will make shared decisions with providers on how to use resources, design services and improve population health. A review and revision of the Better Care Fund may have direct financial implications for local authorities, particularly those arrangements where some Better Care Fund streams are used as support funding for social care services. The NHS Plan does recognise social care in terms of pressures it may create on the NHS and the need to continue to support local measures to address rising demand and costs through pooled budgets, personal health and social care budgets and cites the example of the NHS overseeing a pooled budget with a joint commissioning team (Salford model), where the Council Chief Executive is the accountable officer. A Green Paper is expected to provide further clarity.
Prevention and Inequalities	From April 2019, Clinical Commissioning Groups (CCGs) will receive a health inequalities funding supplement, with the possibility of the commissioning of public health services, e.g. health visitors, school nurses, sexual health etc., to return to the NHS. A planned £30million investment in rough sleepers.	The onus to reduce health inequalities falls to local authorities with the NHS as support. How / will funding flow into local authorities via CCGs or will we need to wait until the next spending review? Investment in the health of rough sleepers is a short-term fix – the wrap around is for local authorities to work on housing, mental health, care and employment.

2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATE

Theme	Key features	Implications and questions for local government
Out of Hospital Care - Primary/Community Services	There will be a greater proportionate level of investment in Primary care and Community Health Services: with ring-fenced local funding equivalent to a £4.5billion increase by 2023/24. In return, the NHS Plan is expecting: Fully integrated community support with training and development of multidisciplinary teams in primary and community hubs, including community hospitals. Integrated teams of GPs, community services and social care. Urgent response and recovery support will be delivered by flexible teams working across primary care and local hospitals, including GPs, allied health professionals, district nurses, mental health nurses, therapists and re-ablement teams. More support for Care Homes to address hospital admissions and sub-optimal medication, with an Enhanced Care in Care Homes vanguard model is to be adopted that aims to improve the links between Care Homes and Primary Care through a consistent healthcare team and named practice support, pharmacist led medication reviews, emergency support, and access to records.	When care transfers into the community, there is an increasing need to manage the multiagency points of contact. Having integrated teams implies local authority care workers working alongside private sector GPs and NHS staff: how will referrals, care pathways and advice on alternative services, for example housing, be managed? This also raises the need for some joined up thinking over estates management and the infrastructure of public service assets – where should teams be based? Local authority supply management of care homes becomes more challenging: the resilience of local market is stretched with the cost of care not always making provision financially viable – will any additional funding merely bring back some stability falling short of ambitions for Enhanced Care? Technology becomes increasingly important including considerations for secure data sharing between organisations. Proposals to support advances in home wearables/monitoring technology to predict hospital admission, linked to smart home technology create new forms of the same challenge: who monitors the data and who is it shared with for the person's best interests? With an increase in social prescribing and personal health budgets, local authorities, including park authorities, can provide support through existing provision of leisure and community services. How can you create community engagement and healthier lifestyles?
Urgent/ Emergency Care	The goal is to achieve and maintain an average Delayed Transfers of Care figure of 4,000 or fewer delays. This aims to be achieved by placing therapy and social work teams at the beginning of the acute hospital pathway, with an agreed clinical care plan within 14 hours of admission that includes an expected date of discharge.	A direct and an indirect impact to local authorities for those residents in care or living in local authority housing. There becomes an increasing need for local authorities to dexterously call on partners across the local authority boundary, including the use of existing disabled facilities grant funding, to ensure people can return home safely. The Stoke-on-Trent based Revival Home from Hospital service is working at record levels and is saving the NHS almost £500,000 a year. The service helps people to get home from hospital as quickly as possible by making sure their homes meet their health needs.

2. NATIONAL PUBLICATIONS AND TECHNICAL UPDATE

Theme	Key features	Implications and questions for local government
Elective Care	An NHS Personalised Care model and expansion of Personal Health Budgets, for example bespoke wheelchairs and community-based packages of personal and domestic support, mental health services, learning disabilities, and those people receiving social care support. There is expected to trained social prescribing professionals connecting people to wider services.	Who is best placed to provide advice on connecting people to wider services? Who is well placed to deliver connected services and is there more space for framework contracts of approved providers for people to draw down from?

A summarised version of the Plan is available to download from our website:

https://www.mazars.co.uk/Home/Industries/Public-Services/Health/NHS-Long-Term-Plan-summary

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Report to:	**AUDIT PANEL**
Date:	12 March 2019
Reporting Officer:	Kathy Roe – Director of Finance Tom Wilkinson – Assistant Director of Finance
Subject:	**ACCOUNTING POLICIES 2018/19**
Report Summary:	As part of the preparation for the closure of the accounts, it is timely to review with the Panel: • the proposed accounting policies; • the critical judgements made in applying the accounting policies; • assumptions made about the future and other major sources of estimated uncertainty within the accounts.
Recommendations:	The Panel is asked to: • approve the accounting policies detailed at **Appendix 1** to this report; • note that any changes to accounting policies required to reflect the requirements of IFRS9 and IFRS15 (section 2) will be brought to Audit Panel in May 2019; • approve management's assessment that the preparation of the accounts on a going concern basis is appropriate (section 4); and • note the critical judgements and major sources of estimation uncertainties as set out in section 5.
Corporate Plan:	The Corporate Plan helps determine the priorities for Council spending, which will be reported using the policies referred to in this report
Policy Implications:	There are no wider policy implications arising from this report.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	There are no direct financial implications arising from this report. The accounting policies determine how the income and expenditure, and assets and liabilities of the Council are reported and represented in the Council's financial statements.
Legal Implications: (Authorised by the Borough Solicitor)	The Council has a statutory duty to provide annual accounts – this report sets out requirements that the Council needs to comply with together with an explanation as to how certain matters are to be treated in the accounts.
Risk Management:	The accounting policies will help to reduce the risk of error or misstatement within the Council's accounts by ensuring a clear framework for financial reporting, consistent with guidance.

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

Telephone:0161 342 2929

e-mail: heather.green@tameside.gov.uk

1 INTRODUCTION

1.1 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements. The accounting policies themselves are published within the Statement of Accounts in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting ('the Code').

1.2 The approval of the accounting policies to be applied by the Council demonstrates that due consideration is being given to which policies to adopt and apply and that those charged with corporate governance are fully informed of the policies that are being adopted, prior to the commencement of the preparation of the Statement of Accounts.

1.3 The accounts of the Greater Manchester Pension Fund are included within the Council's Statement of Accounts document each year. However, it should be noted that this report is in relation to the Council only and that the accounting policies and estimates of the Greater Manchester Pension Fund are approved elsewhere.

1.4 The critical judgements made in applying accounting policies as well as the assumptions made about the future and other major sources of estimated uncertainty also need to be reviewed by the Panel and agreed.

1.5 As per the practice adopted in previous years, the Panel are requested to endorse the use of the policies underpinning the financial statements within the Statement of Accounts.

2 UPDATES TO THE 2018/19 CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

2.1 Officers have assessed the accounting policies that are deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2018/19. In undertaking this assessment a review of all accounting policies previously agreed has been undertaken to check their relevance, clarity, legislative compliance and that they are in accordance with the latest version of 'the Code' and IFRS requirements.

2.2 There are two main changes to the 2018/19 Code of Practice on Local Authority Accounting to reflect the adoption of IFRS15 (Revenue from contracts with customers) and IFRS9 (Financial Instruments).

2.3 The adoption of IFRS15 is not expected to have any impact on the accounting treatment of any revenue streams within the Council's accounts however a review of all revenue streams is in progress. Any changes required following conclusion of this review will be reported to Panel in May 2019.

2.4 The adoption of IFRS9 will impact on the accounting treatment of the Council's shareholding in Manchester Airport. Discussions are taking place across the Greater Manchester authorities to ensure our accounting policies are consistent and appropriate. We have not yet updated our accounting policies to reflect the requirements of IFRS9 but this will be concluded before the end of March and reported to Panel in May 2019.

2.5 The accounting policies, as based on the requirements of 'the Code' and relevant financial standards, will be used to produce the financial statements for 2018/19 and can be seen at **Appendix 1** to this report.

2.6 As the Statement of Accounts for 2018/19 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 in May 2019.

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 2018/19 Statement of Accounts for consideration by the Audit Panel. Given that the policies adopted have a significant influence upon the financial statements it is important that these are given appropriate consideration at the outset of the preparation of the Statement of Accounts. This helps ensure that they are applied consistently in the preparation of the accounts.

4 GOING CONCERN

4.1 The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

4.2 The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial resilience.

4.3 Preparation of the Council's accounts on a going concern basis is considered appropriate, based on the following assessment:

Criteria	Assessment
Are arrangements in place to assess the Council's ability to continue as a going concern?	Yes – the Council has effective financial management and financial planning arrangements in place including regular budget monitoring and forecasting, and the maintenance of a four year Medium Term Financial Plan (MTFP). The financial planning and monitoring process have enabled the Council to deliver significant efficiency savings and address future financial challenges. Executive Cabinet on 26th February 2019 recommended to Council a balanced budget for 2019/20. This budget report included the five year MTFP, and set out the Section 151 Officer's assessment of the Robustness of the Budget Estimates and the Adequacy of Financial Reserves.
Do events or conditions exist that may cast doubt on the Council's ability to continue as a going concern?	The MTFP is reviewed and updated at regular intervals throughout the year, and key assumptions and risks are assessed and highlighted in the annual budget report to Executive Cabinet and full Council. The MTFP highlights a number of risks and future financial challenges which the Council will address through its financial planning processes. Whilst these risks are significant, the Council has successfully delivered significant savings and addressed the current financial challenges, and therefore the going concern assumption remains appropriate.
Are arrangements in	Regular financial reports are prepared and reported to members

place to report the going concern assessment to members? How does the Audit Panel satisfy itself that it is appropriate to adopt the going concern basis in the preparation of the financial statements?	including the budget monitoring reports, MTFP and annual budgets, and Treasury Management Strategy and update reports. The Audit Panel considers the Accounting Policies and key sources of estimation uncertainty prior to the completion of the draft accounts. The draft statement of accounts is also considered by the Audit Panel prior to final approval.
Are financial assumptions consistent with the business plan, statutory or policy changes, and financial forecasts? Have any significant issues been raised that cast doubt on the assumptions made?	The budget report including the MTFP considered by Executive Cabinet and full Council sets out the financial and business assumptions used to inform the budget and future financial forecasts. These assumptions are subject to regular review throughout the year and financial plans adjusted where required.
Does a review of financial information indicate any adverse financial indicators, including negative cash flows? What action is being taken to improve financial performance?	Revenue budgets and the Capital Programme are monitored regularly throughout the year and reported to members. The budget report considered in February 2019 identifies significant budget pressures in Children's Services, but these pressures are being managed through significant one off investment from reserves and a Service Improvement Plan. The Council's cash and reserves position is strong and aside from current pressures in Children's services there are no adverse financial indicators.

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

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

Accounting for schools – Balance Sheet recognition of schools

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

5.3 There are currently five types of schools within the borough:

- Community schools
- Voluntary Controlled (VC) schools
- Voluntary Aided (VA) schools
- Foundation/Trust schools
- Academies

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

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

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

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

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

Accounting for schools - Transfers to Academy status

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

5.10 Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council charges the cost of construction against Assets Under Construction (part of Property, Plant and Equipment), whilst the Academy is constructed. Once the construction is complete the asset is transferred to Property, Plant and Equipment on the date of transfer to Academy status. The Council accounts for this as a disposal for nil consideration.

Investment Properties

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

Property, Plant and Equipment

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

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

- Property may have a remaining useful life of between 2 and 70 years and the exact amount is determined for each property by chartered surveyors, not less than once every 5 years.

- Infrastructure assets (such as roads) are depreciated over 40 years from the date of capitalisation.
- Investment properties are not depreciated, in line with guidance but are revalued each year.
- Surplus assets are not depreciated as the Council's policy is to revalue them each year.
- Other non-current assets (such as vehicles, plant and equipment) are depreciated over 10 years or less.
- Specific assets may be valued more frequently depending on the wider economic context, particularly if it is expected that there has been a material reduction in their value during the year.

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

Business Rates

5.15 Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for the cost of successful appeals against business rates charged to businesses in their proportionate share. Appeals are managed by the Valuation Office (VOA) on a case by case basis. The Council cannot be fully aware, at all times, of all changes to businesses and to business premises, and it is the responsibility of the individual business to seek adjustments for their business rates bill where this is appropriate. Therefore, a provision is recognised in the accounts for the best estimate of the possible liability to the Council for business rates appeals, to 31 March 2019. This is calculated using the VOA's latest list of appeals, which includes information on the average levels of successful and unsuccessful claims.

Debt Impairment

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

Leases

5.17 The Council 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.

5.18 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.

Finance Leases

5.19 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 include:

- 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 include:
    - 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 include:
    - 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.

5.20 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.

Lessor Accounting for a Finance Lease

5.21 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.

Lessee Accounting for a Finance Lease

5.22 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.

5.23 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

PFI and similar arrangements

5.24 PFI and similar schemes are accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements. They 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 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.

5.25 Once recognised this asset is treated in line with all non-current 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 (CIES) as interest payable. Capital costs reduce the level of liability in the Balance Sheet. Service costs are chargeable Cost of Services within the CIES. Pre-payments reduce the level of liability at the start of the contract. PFI credits are treated as revenue grants and included in Cost of Services within the CIES.

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

Funding

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

Provisions

5.28 Provision has been made in the Balance Sheet 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. When expenditure is incurred to which the provision relates, it is charged directly against the provision in the Balance Sheet and not against the CIES.

5.29 The Council has estimated its short term insurance provision value, based on reviewing the results of the 2018/19 actuarial review. Actuarial reviews will be commissioned every 3 years, with projections made in intervening years.

Pension Fund Liability

5.30 The estimation of the Pension Fund liability depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

5.31 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 2017/18.

Manchester Airports Group (MAG)

5.32 The Council's shareholding in MAG is valued using the earning based method and discounted cash flow method resulting in the asset being valued at fair value rather than historic cost, therefore requiring an annual valuation. A firm of financial experts and valuers have been engaged by the nine minority local authority shareholders to provide an independent valuation which includes reviewing the financial performance, stability and business assumptions of MAG. The valuation provided is based on estimations and assumptions and therefore should the Council sell its shareholding the value held in these statements may not be realised.

Housing Benefit Subsidy

5.33 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 2019 when the auditor-certified claim is submitted and so the amount included in the accounts could differ.

Reserves

5.34 A number of assumptions are made regarding the required level of Council reserves. The Government has previously criticised the level of reserves held by councils as being too high. However, the professional consensus is that reserves are more necessary in times of greater risk and uncertainty.

5.35 The level of financial risk being faced by the Council continues to increase. Reserves provide a way for the Council to ensure that any unforeseen financial impacts can be absorbed without immediately impacting on frontline service delivery. Currently, potential impacts may arise from a number of sources (see Section 5 for more details), including:

- The further significant loss of Government funding.
- Significant changes to local government responsibilities and the unknown impact of these (e.g. Care Act, Universal Credit, further responsibilities associated with full devolution of business rates).
- Other cost pressures or national policy changes e.g. the impact of an ageing population and pressures within the local health economy.
- Delays in securing further, significant, ongoing savings targets.
- Volatility of the Business Rates base.
- Potential legal judgements and the confirmation of obligations that led the Council to recognise contingent liabilities in the Statement of Accounts.

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

Minimum Revenue Provision

5.37 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 1 April 2015. 'MRP is to be provided for based upon the average expected useful life of the assets funded by borrowing in the previous year. The debt will be repaid on a straight-line basis over the average useful life calculated; the debt will be fully extinguished at the end of period.

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

6 RECOMMENDATIONS

6.1 As set out on the front of the report.

APPENDIX 1:
STATEMENT OF PROPOSED ACCOUNTING POLICIES FOR 2018/19

STATEMENT OF ACCOUNTING POLICIES FROM 1 APRIL 2018

This document outlines how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2018/19 financial year.

The Accounting Policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable.

1. ACCOUNTING PRINCIPLES

a) Going Concern

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

b) Accruals Concept

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

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

c) Cost of Services

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

d) Value Added Tax (VAT)

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

e) Changes in Accounting Policy

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

- The nature of the change in accounting policy;

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

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

f) Previous Year Adjustments

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

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

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

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

g) Events after the Balance Sheet Date

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

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

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

h) Exceptional and Extraordinary Items

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

i) Contingent Assets and Liabilities

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

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

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

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

2. CAPITAL ACCOUNTING

a) Recognition

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

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

In this context, enhancement means works which are intended to:
- Lengthen substantially the useful life of the asset, or
- Increase substantially the market value of the asset, or
- Increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the Council.

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

A deminimis level of £10,000 has been adopted by the Council in relation to capital expenditure.

b) Measurement

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

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

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

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

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

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

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

c) Revaluation

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of the reserves formal implementation. Gains arising before that date were subsequently consolidated into the Capital Adjustment Account. Movements in the valuations of non-current assets do not impact on General Fund Balances and are not a charge or credit to council tax levies.

d) Disposals

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

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement element of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council to finance the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date that the Revaluation Reserve was created to hold such gains.

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) Heritage Assets

Heritage Assets are held for their cultural, environmental or historical associations. With the exception of "Statues and Other Monuments", which by their nature are located across the Borough, they are mainly held in the Council's art galleries and museums.

This collection of Heritage Assets has been secured over many years from a variety of sources, being mainly bequeaths, donations and long term loans. Assets acquired from these sources may have conditions attached which govern how the assets may be managed in the future. Any assets with conditions attached are recognised in Donated Assets as a long term liability in the Balance Sheet until any outstanding conditions cease.

Any acquisitions of Heritage Assets are initially recognised at cost and donations are recognised at valuation with valuations provided by external valuers. The Council's collections of Heritage Assets are accounted for as follows:

- Art Collection;
- Militaria;
- Civic Regalia and Silver; and
- Statues and Other Monuments.

f) 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.

g) 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.

h) 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 Practise, 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.

i) Charges to revenue for non-current assets

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

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

The Council does not raise council tax to cover depreciation, impairment loss or amortisations. The Council does, however, make an annual provision from revenue to reduce its borrowing requirement, (see section m). 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.

j) 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.

k) 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.

l) Capital Receipts

Capital receipts (in excess of £10,000) arising from the sale of non-current assets are credited to Capital Receipts Unapplied Account.

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

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

m) Redemption of Debt (Minimum Revenue Provision)

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

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

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

ii) The following will be required in relation to borrowing taken up on or after 01/04/2015.

- 'MRP' is to be provided for based upon the average expected useful life of the assets funded by borrowing in the previous year. The debt will be repaid on a straight-line basis over the average useful life calculated; the debt will be fully extinguished at the end of period. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly
- For certain investment projects it may be deemed more prudent to use the asset life annuity method in order to calculate MRP. In this case the Council will use the annuity method, with the MRP based on the prevailing PWLB interest rate for a loan with a term equal to the estimated life of the project.
- For any finance leases and any on-balance sheet private finance initiative (PFI) schemes, the MRP charge will be equal to the principal repayment during the year, calculated in accordance with proper practices.
- There will be no MRP charge for any cash backed Local Authority Mortgage Scheme (LAMS) that the Council operates. As for this type of scheme, any future debt liability would be met from the capital receipt arising from the deposit maturing after a five year period. Any repossession losses for this type of scheme would be charged to an LAMS reserve.

n) 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.

o) 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.

p) 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.

q) 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 include:
  - 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 include:
  - 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.

r) Defining an Operating Lease

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

s) 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.

t) 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.

u) 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.

v) 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.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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.

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.

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.

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.

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

The council tax and business rates income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

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

h) Inventories and Work in Progress

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

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

i) Provisions for bad and doubtful debts

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

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

4. TREASURY MANAGEMENT

a) Financial Instruments

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

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

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

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

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from the increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
• Revalued downwards or impaired and the gains are lost;
• Disposed of and the gains are realised;
• Revalued downwards or impaired and the gains are lost; or
• Disposed of and the gains are realised.

b) Cash and cash equivalents

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

c) Interests in Companies and Other Entities

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

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

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

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Report to:	**AUDIT PANEL**
Date:	12 March 2019
Reporting Officer:	Kathy Roe, Director of Finance Paddy Dowdall, Assistant Director of Pensions (Local Investments and Property)
Subject:	**STATEMENT OF ACCOUNTS 2018-19 GOVERNANCE ARRANGEMENTS**
Report Summary:	This report aims to inform the Panel 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 the Panel to note the key assumptions for estimates used in the GMPF accounts.
Recommendations:	(i) To note the governance arrangements for approval of GMPF accounts. (ii) To note the assumptions for estimates used in the GMPF accounts.
Corporate Plan:	Effective corporate governance and a robust approach to economy, efficiency and effectiveness underpin the delivery of the Corporate Plan.
Policy Implications:	There are no wider policy implications arising from this report.
Financial Implications: **(Authorised by the statutory Section 151 Officer & Chief Finance Officer)**	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. The assumptions used for valuing assets will have an impact on the value of assets reported in the accounts. In most circumstances the impact is unlikely to be material. For equities and bonds a bid basis is used that results in a more prudent outcome (v mid or offer basis).
Legal Implications: **(Authorised by the Borough Solicitor)**	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 Information:	The background papers relating to this report can be inspected by contacting Tracey Boyle

Telephone: 0161 301 7116

e-mail: tracey.boyle@tameside.gov.uk

1. INTRODUCTION

1.1 This report covers two sections:

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

2. GOVERNANCE ARRANGEMENTS

2.1 The Pension Fund Management Panel approves the GMPF accounts and formal letters required by the external auditor. It also receives external audit reports.

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

2.3 The provisional timetable for approval of the accounts and audit reports by these bodies for 2018/19 is outlined in the table below.

Date	Group	Stage
22 March 2019	Administration & Employer Funding Viability Working Group	Noting of continued key assumptions and updated governance arrangements (GMPF)
12 March 2019	Audit Panel	Approval of key assumptions and noting of governance arrangements (TMBC and GMPF)
19 July 2019	GMPF Management Panel	Approval of final accounts, annual report and audit report (GMPF)
W/c 22 July 2019 (date to be confirmed)	Audit Panel	Approval of final accounts, annual report and audit report (GMPF and TMBC)

2.4 The plan, drawn up to meet legal requirements, is that the pre-audit accounts of both TMBC and GMPF are signed off by the S151 officer of the Council by 31 May 2019.

2.5 The review by the external auditors commences thereafter. Mazars 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 To comply with the statutory arrangements, the process will be completed by 31 July 2019.

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 implementation of CIPFA's guidance on accounting for management costs in the LGPS.

4. RECOMMENDATIONS

4.1 As set out on the front of the report.

Report to:	**AUDIT PANEL**
Date:	12 March 2019
Reporting Officer:	Ilys Cookson – Assistant Director (Exchequer)
Subject:	**RISK BASED VERIFICATIONS – HOUSING BENEFIT**
Report Summary:	To revoke the Risk Based Verification Policy. The policy was introduced in April 2013 to improve processing times of Housing Benefit new claims and changes in circumstances. Evidence to support claims was gathered depending on how the claim was risk scored. Due to improvements in data sharing and technology most evidence required is now available to the Housing Benefit service, via other means, therefore the need to apply a risk score in line with the Risk Based Verification Policy is no longer required to improve processing times.
Recommendations:	It is recommended: i. Housing Benefit is no longer processed using the Risk Based Verification Policy with effect from 01 April 2019; and that ii. Housing Benefit continues to be processed in accordance with regulation 86 of the Housing Benefit Regulations 2006 using real time information provided by the DWP and HMRC.
Corporate Plan:	The report contributes to the corporate vision to improve the housing benefit application process and improve the speed in which housing benefit payments are made.
Policy Implications:	There is no requirement for the Housing Benefit Service to have a Risk Based Verification Policy. However, the Local Authority must have clear guidance for auditors stating how Housing Benefit supporting evidence will be collated and used in the processing of Housing Benefit applications.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	The proposals set out in the report do not anticipate any additional cost for the Council. By revoking the Risk Based Verification policy, the Council is able to cancel the software contract associated with this policy, which is expected to result in a saving of £24,000 per annum.
Legal Implications: (Authorised by the Borough Solicitor)	The risk based verification sets out the level of checking required to reduce fraud and improve delivery. This approach is no longer required as the same standard of information is expected for virtually all claims improving accuracy.
Risk Management:	Risks are detailed in Section 5 of this report.
Access to Information:	The following background papers; 1) Risk Based Verification Policy 2) HB Circular S11/2011 have been used in the preparation of this report

Background Information:	The background papers relating to this report can be inspected by contacting Tracey Watkin by: Telephone: 0161 342 2386 e-mail: tracey.watkin@tameside.gov.uk

1 BACKGROUND

1.1 Exchequer Services process applications for Housing Benefit for the Department of Work and Pensions (DWP) and undertake that work in accordance with regulation set by central government.

1.2 The processing of all applications requires specific checks to be undertaken to ensure that claims made by members of the public are not fraudulent. In 2012 the DWP recommended to local authorities that a new method of checking claims could be used and which would improve the timescales for those checks to take place upon purchase of a risk based verification (RBV) system. The aim of RBV was to improve processing times and reduce fraud and error getting into the benefits system by concentrating on claims deemed to be 'high' risk.

1.3 Risk Based Verification (RBV) is a software system based method of applying different levels of checks to different circumstances using a complex set of mathematical algorithms to determine a high, medium or low risk profile for each customer, based on many factors and including age, number of addresses, number of previous claims for example. The higher the risk, the higher amount of resources are required to establish that the claim is genuine.

1.4 RBV also reduced the amount of correspondence required with customers to verify evidence provided in support of their application for Housing Benefit, or a change in circumstances, and in the chasing up and scanning of that evidence.

1.5 The Council introduced a Risk Based Verification Policy from April 2013 following approval from Audit Panel in March 2013 using the Coactiva software tool at a cost of £24k per annum. RBV has operated well in the absence of any other legal data sharing agreements with DWP or other organisations at that time.

1.6 New and improved data sharing methods and agreements are now in place with the DWP, Her Majesty's Revenues and Customs (HMRC) and a number of larger Registered Social Landlords (RSL's) which negates the need for the continued use of the RBV software product and checking system. This report sets out the new data sharing systems in place and seeks approval to cease to use the RBV system.

2 DATA SHARING

2.1 Since the introduction of the RBV Policy in Tameside in April 2013, the Department of Work and Pensions and Her Majesty's Revenues and Customs (HMRC) have significantly improved the data which they share with local authority Housing Benefit Services as set out here:

- HMRC WURIT system (Wider Use of Real Time Information);
- DWP daily data file;
- DWP CIS system (Customer Information System).

2.2 The Housing Benefit Service has access to WURIT (wider use of real time information), which is information held by HMRC and includes earned income details and occupational pension details.

2.3 The DWP send a data file to the Housing Benefit Service each day. The file details awards and levels of state benefits and pensions including the following:

- Pension Credit (Savings Credit);
- Pension Credit (Guaranteed Credit);
- State Retirement Pension;
- Attendance Allowance;
- Working Tax Credit;
- Child Tax Credit;
- Income Support;
- Job Seekers Allowance Income Based;
- Job Seekers Allowance Contribution Based;
- Employment and Support Allowance Income Related;
- Employment and Support Allowance Contribution Based;
- Personal Independent Payments;
- Disability Living Allowance;
- Severe Disablement Allowance;
- Carers Allowance;
- Maternity Allowance;
- Bereavement Benefits;
- Widows Allowance.

2.4 CIS (Customer information System) is a DWP database which all Housing Benefit staff have access to. All income can be verified and national insurance numbers checked on the database. It is unnecessary for the Benefit Service to request information that has already been obtained and verified by the DWP. Capital can be verified using CIS and the following income details:

- Pension Credit;
- State Retirement Pension.

2.5 In addition to the above, data sharing agreements are now in place between the Housing Benefit Service and some of the Boroughs large registered social landlords to automate annual rent increases. This has removed the need for customers to supply evidence of their rental agreements as was the process when using RBV system only.

3 UNIVERSAL CREDIT

3.1 The DWP are in the process of transferring cases of working age Housing Benefit claimants to Universal Credit (UC) across the country. This was rolled out to all new claimants in the Tameside area from 7 March 2018 and has resulted in a drop in the Housing Benefit caseload from 17,223 on 01 April 2018 to 15,269 as at 01 January 2019. The reduction in claims will continue until the whole of the legacy housing benefit customers are migrated onto Universal Credit, however, claims from those of pension age will remain with the Council.

3.2 The reduction in caseload means fewer working age claims for Housing Benefit and therefore less evidence requiring verification. Local authorities are to continue processing Housing Benefit claims for pensioners and these will not transfer to the DWP and become Universal Credit claims.

3.3 It is important that local authority Housing Benefits Services receive information regarding UC entitlement as Housing Benefit Services continue to administer the local Council Tax Support (CTS) scheme. CTS is means tested, which, if eligible, reduces the amount of Council Tax a person has to pay. So, although a person of working age would not receive Housing Benefit from the Council in the future for help with housing costs, they will continue to receive Council Tax Support from the Council for help with Council Tax.

3.4 The DWP already provide notifications of UC entitlement to local authorities which details all income and amounts of UC paid to the customer. As a result of this there is no need to request any additional information from customers who receive UC who claim Council Tax Support from the Council.

4 AUDIT REQUIREMENTS

4.1 Given that such improvements to data sharing has taken place since RBV was introduced it was prudent to review the use of the RBV policy and method of working. It became clear that RBV is no longer serving the purpose of risk verification as well as existing, and real time, sources of data now available. Therefore advice was sought from the DWP regarding the steps that must be taken by a local authority to cease to process claims under the RBV Policy.

4.2 The DWP have made clear that it is appropriate to cease to use RBV when processing claims and that revoking of use of the Policy should preferably take place at the commencement of a new finance year. This is to ensure that external auditors can be clear under what rules the subsidy claim should be audited. Subsidy is the term used for the monies that are reimbursed to the Council by the DWP for the Housing Benefit that is paid out and which is audited annually by the Councils external auditors. Ceasing to use the Policy part way through a year can cause confusion in the audit process.

5 RISKS

5.1 There is a risk that the continued use of RBV costs the Council £24k annually and serves no purpose in the fraud and error prevention required to process claims and changes in circumstances.

5.2 There is also a risk that the DWP and HMRC may withdraw the extensive data sharing that is currently in place, however given that the DWP and HMRC have spent years in refining data sharing this risk is expected to be negligible and highly unlikely that Government agencies would not work with the Council to reduce fraud of public money.

5.3 The only significant risk identified is to the external audit of the subsidy claim, the value of which is approximately £75m each year, should RBV be ceased mid year and not at the start of a financial year as the DWP have stipulated. However as the Council is seeking to revoke the RBV Policy at the start of the financial year this risk is diminished.

6 PROPOSED CHANGES & NEXT STEPS

6.1 Taking into consideration the new and improved data sharing that is now in place it is proposed that the Housing Benefit Service will cease to process Housing Benefit claims received after 31 March 2019 under the RBV Policy. All claims received from 1 April 2019 with be processed in accordance with Regulation 86 of the Housing Benefit regulations.

6.2 The DWP and external auditors will be formally notified of the change in processing so this can be factored into the external audit of the subsidy claim.

6.3 The contract with the RBV software company will be terminated immediately and this will bring an annual saving of £24k.

6.4 Less information will be requested from customers to support the Housing Benefit claims and as a consequence there will be a reduction in the post received, which needs to be opened, referenced and scanned into the back office system.

7 CONCLUSION

7.1 The RBV Policy was introduced with effect from 01 April 2013 with the aim of identifying fraud and error in the processing of Housing Benefit claims. The software used to support the RBV process costs the Council £24k per annum.

7.2 Since 2013 there have been considerable improvements to the amount of real time information shared by the DWP and HMRC to support the processing of claims for Housing Benefit and Council Tax Support, which negates the use of the RBV Policy and way of working.

7.3 The risks identified are minimal and the same would apply to every local authority in the country.

7.4 The DWP have confirmed that RBV may cease to be used and recommend that this takes place at the beginning of a financial year to avoid potential difficulties with the external audit of the subsidy claim, the value of which is approximately £75m per year.

8 RECOMMENDATIONS

8.1 As set out at the front of the report.

Report to:	**AUDIT PANEL**
Date:	12 March 2019
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit
Subject:	**PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL TO JANUARY 2019**
Report Summary:	To advise members of the work undertaken by the Risk Management and Audit Service between April 2018 and January 2019 and to comment on the results.
Recommendations:	That members note the report and the performance of the Service Unit for the period April 2018 to January 2019.
Corporate Plan:	Risk Management and Audit supports the individual operations, which deliver the objectives within the Corporate Plan.
Policy Implications:	Effective Risk Management and Audit supports the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
Financial Implications: **(Authorised by the statutory Section 151 Officer & Chief Finance Officer)**	Effective Risk Management and Audit assists in safeguarding assets, ensuring the best use of resources and reducing losses due to poor risk management. It also helps keep insurance premiums and compensations payments to a minimum and provides assurance that a sound control environment is in place.
Legal Implications: **(Authorised by the Borough Solicitor)**	The report demonstrates compliance with the Accounts and Audit Regulation 2015 and the Council's Code of Corporate Governance. It should be noted that the significant majority of audits rescheduled in table 2 is because it is not appropriate or effective to start fresh this year.
Risk Management:	Assists in providing the necessary levels of assurance that the significant risks relating to the council's operations are being effectively managed.
Background Information:	The background papers relating to this report can be inspected by contacting Wendy Poole, Head of Risk Management and Audit Services Telephone: 0161 342 3846 e-mail: wendy.poole@tameside.gov.uk

1. INTRODUCTION

1.1 This is the second progress report for the current financial year and covers the period April to January 2019.

1.2 The main objective of this report is to summarise the work undertaken by the Risk Management and Audit Service during the during the ten month period from April 2018 to January 2019 in respect of the approved Plan for 2018/19, which was presented and approved by the Audit Panel in May 2018.

2. RISK MANAGEMENT AND INSURANCE

2.1 The Risk Management and Insurance Team provide services to the whole Council including schools. The key priorities for the team during 2018/19 are:-

- To review the risk management system to ensure that it complies with best practice including a review of service area risk register.
- To ensure the Corporate Risk Register is updated on a quarterly basis and reported to the Single leadership Team and the Audit Panel.
- To facilitate the continued implementation of the Information Governance Framework, ensuring that the Council is compliant with the General Data Protection Regulations (GDPR) and the Data Protection Act 2018.
- To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with the capability to provide knowledge and information should a major incident occur affecting service delivery.
- To review the insurance database used by the team to ensure it is fit for purpose and that the reporting function is efficient and effective.
- 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.
- To attend management team meetings quarterly to provide updates on insurance, information governance, risk management and business continuity.

2.2 A review of the risk management process has commenced by comparing the Council's process to that of the Tameside and Glossop Clinical Commissioning Group and other authorities across Greater Manchester. Further work needs to be undertaken with the Senior Leadership Team to ensure that the process adopted meets the needs of the Strategic Commission. A Risk Management Report is presented as a separate item on the agenda.

2.3 A review against the requirements of the General Data Protection Regulations and the Data Protection Act 2018 is currently underway to ensure that progress is being made on our journey to compliance. This will include:-

- Reviewing the Information Governance Framework documents;
- Refreshing the Information Asset Audit process and privacy Notices;
- Reviewing the Register of Processing Activities (RoPA)
- Researching training opportunities available;
- Facilitating the completion of Data Protection Impact Assessments and contributing to the work of the Greater Manchester Combine Authority who have obtained funding to create an interactive and intuitive toolkit;
- Ensuring Sharing/Processing Agreements are appropriate; and
- Support for Members.

2.4 A key priority for Quarter 4 is the completion of the Data Security and Protection Toolkit (previously known as the IG Toolkit) which is an online self-assessment provided by NHS Digital to ensure that organisations who need to access NHS data, have appropriate security standards in place.

2.5 Business Continuity Plans are currently being updated across the Council using a revised template which was piloted successfully in January 2019 with the assistance of the Operations and Neighbourhoods Directorate. It captures all the critical data needed to enable a managed response to a local service incident or a major corporate issue. Once all the services plans are completed all services/functions will be listed and prioritised using a Red, Amber, Green (RAG) rating system to inform any corporate response required to an incident affecting service delivery.

2.6 Insurance Renewal is due on 1 April 2019 and preparations are well underway to provide our Insurance Brokers AON with the information they need in order to obtain appropriate cost effective cover for the Council.

2.7 Support in relation to insurance claims has been provided to both service areas and schools throughout the year to ensure that claims against the Council are robustly defended.

3. INTERNAL AUDIT OVERVIEW

3.1 The Audit Plan approved on 29 May 2018 covered the period April 2018 to March 2019 and totalled 1,757 Days. This was made up of 1,294 days on planned audits and 463 days on reactive fraud work.

3.2 Table 1 below provides a summary of progress against the plan to 31 January 2019. The actual days delivered at the end of January 2019 (Month 10) are 1,422 which equates to 81% of the total audit days planned for 2018/19 at 1,757. A Revised Plan of 1,551 days is presented in the table and section 3.5 below outlines the necessity for the changes.

3.3 **Table 1 – Annual Audit Plan Summary 2018/19**

Service Area / Directorate	Approved Plan 2018/19	Revised Plan 2018/19	Actual Days To Jan 2019	% Complete
Children's	89	57	68	119
Children's Schools/Learning	243	216	217	100
Adults	102	70	68	97
Population Health	25	25	24	96
Growth	76	19	15	79
Operations and Neighbourhoods	101	84	79	94
Governance	162	148	145	98
Finance and ICT	176	82	59	72
Cross Cutting	20	20	21	105
Greater Manchester Pension Fund	300	300	258	86
Fraud/Investigations	463	530	468	88
Total Planned Days for 2018/19	**1,757**	**1,551**	**1,422**	**92**

3.4 **Appendix 1** provides a detailed breakdown of the 2018/19 Audit Plan.

3.5 It has been necessary to reduce the plan for the year due to the following reasons:-

- The original plan was based on known estimated resources at the beginning of the year and based on a full complement of staff and unfortunately the new Auditor who joined the team in March 2018 left at the end of December;
- A significant amount of time was dedicated to training the new Auditor which affected productivity throughout the year;
- A number of conflicting priorities in terms of irregularities and investigations have diverted days away from planned work to reactive work;
- Estimated days to complete an audit have been exceeded in some cases due to issues raised and the scope and complexity of the area being reviewed being underestimated in the initial planning stage.
- Responding to requests from managers for new audits and providing advice and support to ensure changes to system, processes and procedures do not adversely affect the control environment; and
- Planned audits are rescheduled because changes have not occurred in the timeframe expected, capacity due to conflicting priorities or developments are delayed.

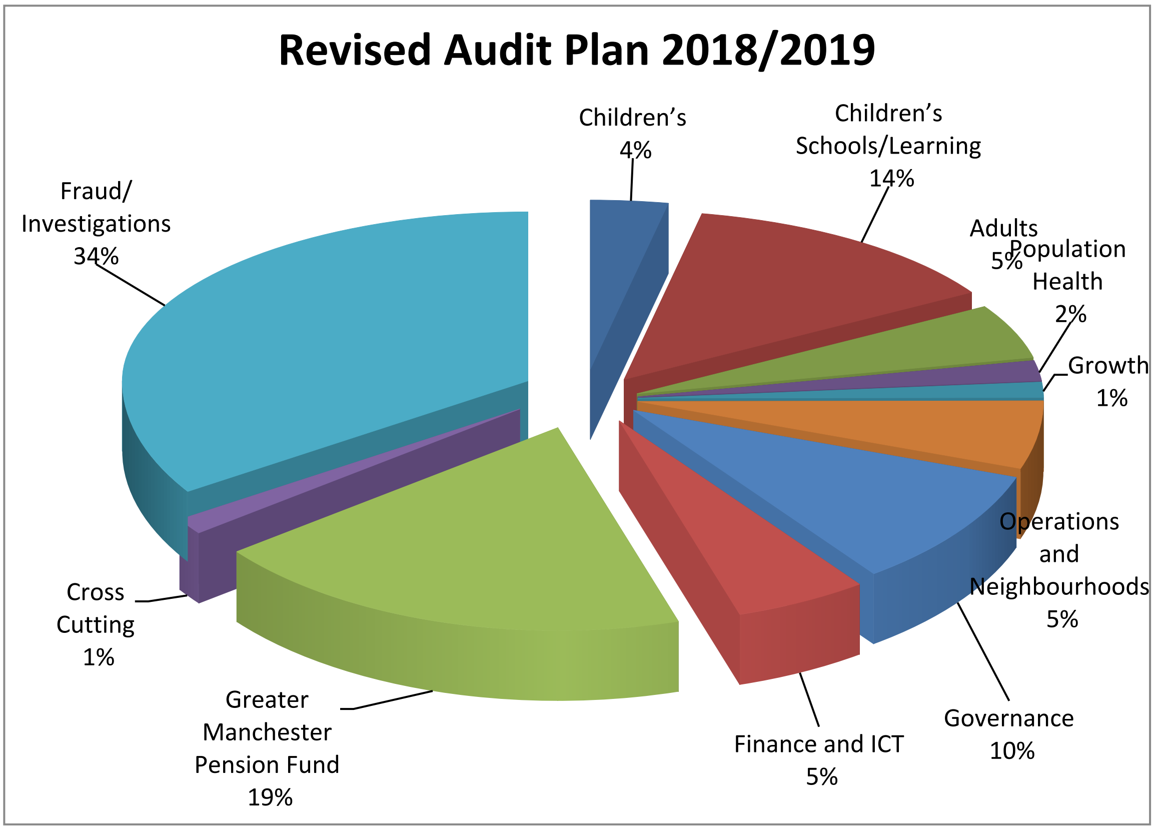
3.6 Table 2 below identifies the audits rescheduled to 2019/20 and ensures that the plan is still relevant, meets the needs of the Council and is balanced to available resources. The review of the audit plan has been undertaken in conjunction with senior management. As stated in 3.2 the original plan of 1,757 days has been revised to 1,551 days, which is a net reduction of 206 days.

Table 2 Changes to the Annual Plan 2018/19 as at February 2019

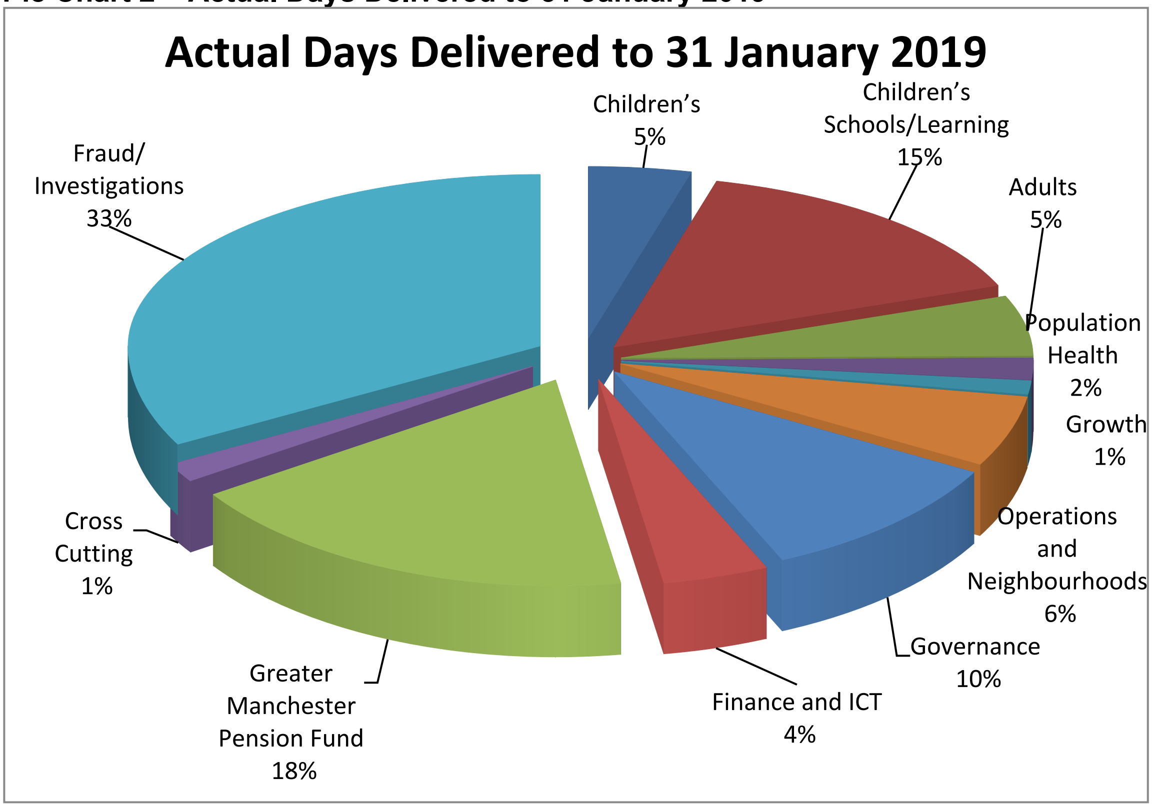
Service Area	Audits Rescheduled	Days
Children's	Troubled Families Budgetary Control and Financial Management Emergency/Cash Payments	10 15 10
Schools/Learning	Lyndhurst Primary and Nursery St Christopher's R C Primary Special Education Needs and Disability SEND	6 6 15
Adults	Shared Lives Budgetary Control and Financial Management	15 15
Growth	Inspired Spaces – Catering Contract Estates – Acquisitions and Disposals Vision Tameside Planning Process	15 15 15 15
Operations and Neighbourhoods	Transport	15
Governance	Softbox	15
Finance	Network Security ICT Recharges Information Governance Insurance Procurement Risk Management	10 15 15 15 15 15
Greater Manchester Pension Fund	Northern Pool Benchmarking/KPIs Transfer of Assets to New Custodian Compliance Function	15 10 10 15
	Reduction in Planned Days	**317**
Fraud/Investigations	Increase in Fraud Days	**67**
	Total Reductions	**250**

3.7 The Pie Charts below presents the Revised Audit Plan for the year and the Actual Days Delivered to 31 January 2019.

Pie Chart 1 – Revised Audit Plan 2018/2019



Pie Chart 2 – Actual Days Delivered to 31 January 2019



4. AUDIT ACTIVITY TO 31 JANUARY 2019

4.1 During the period April 2018 to January 2019, 11 Final Reports were issued in relation to systems, risk and managed audits, the results of which are summarised in Table 3 below.

Table 3 – Final Reports System/Risk/Managed Audits

Opinion	Number	%	Total To Date	Total for 2017/18
High	5 (3)	45	10 (8)	8 (7)
Medium	5 (2)	45	12 (5)	8 (2)
Low	1 (1)	10	5 (2)	4 (1)
Totals	**11 (6)**	**100**	**27 (15)**	**20**

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

4.2 In addition to the Final Reports issued above, 3 Draft Reports have been issued for management review and responses and these will be reported to the Panel in due course.

4.3 Not all work undertaken by the team generates an audit opinion and several pieces of work undertaken in the period fall into this category:-

- Troubled Families
- Pension Fund Annual Return Compliance Checks
- Grant Certifications for Greater Manchester Combined Authority
- System Sign Offs for new and upgraded systems
- Pension Fund assurance Work
- People and Workforce Development Assurance Work
- Investigation Control Reports

4.4 9 School Audits were completed during the period, the results of which are summarised in Table 4 below.

Table 4 – Final Reports Schools

Opinion	Number	%	Total To Date	Total for 2017/18
High	5	56	9	8
Medium	4	44	9	5
Low	0	0	1	3
Totals	**9**	**100**	**19**	**16**

4.5 In addition to the final reports issued above, 5 further audits have been completed and the Draft Reports have been issued to the Schools for management review and responses and they will be reported to the Panel in due course.

4.6 Post Audit Reviews are undertaken approximately six months after the Final Report has been issued, however, where a low level of assurance is issued the Post Audit Review is scheduled for three months to ensure that the issues identified are addressed. 36 Post Audit Reviews have been completed in total during the year to date and these are detailed in **Appendix 1**. A summary of the 18 Post Audit Reviews completed since September 2018 is presented in Table 5 below. It details the number of recommendations made and implemented. The percentage rate of recommendations implemented is currently 93%.

Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented and there are no significant issues outstanding to report to the Panel. A further 17 Post Audit Reviews are in progress which will be reported to the Panel at a future meeting.

Table 5 – Post Audit Reviews – Recommendations Implemented

Post Audit Reviews	Recommendations			Comments
	Made	Implemented		
	No.	No.	%	
Control Report - Wild Bank Primary and Nursery	32	32	100	
Dane Bank Primary and Nursery	11	11	100	
St Marys R C Primary and Nursery Dukinfield	15	15	100	
Alder Community High School	17	17	100	
Thomas Ashton Primary and Secondary Centres	13	13	100	
Investigation Control Report - Arundale Primary and Nursery	32	32	100	
Control Report - Somerset House	10	10	100	
Visit To Contributing Body - Tameside Metropolitan Borough Council	4	4	100	
Visits to Contributing Bodies - Trafford Housing Trust	9	9	100	
Contributing Body Visit to NPS	10	10	100	
Use Of CCTV	43	42	98	The outstanding issue is currently being addressed by a procurement exercise.
Direct Payments	27	26	96	Outstanding recommendation relates to procedure notes.
Aldwyn Primary	18	17	94	One ICT issues is currently being addressed.
St Anne's R C Primary and Nursery, Audenshaw	31	29	94	Assurance has been given that the two outstanding issues will be completed by April 2019.
Reablement	16	15	94	Management have provided assurance that the outstanding issue will be addressed.
St. Georges C E Primary Mossley	14	13	93	The one remaining issue is being addressed by the Headteacher.
Visits to Contributing Bodies - Greater Manchester Police Authority	17	13	76	The four outstanding recommendations require software changes and training.
Review of Financial Systems - General Ledger and Budgetary Control	20	13	65	Assurance has been provided that the outstanding issues will be addressed now more capacity is available in the Financial Management Team.

5. REVIEW OF INTERNAL AUDIT

5.1 The review of Internal Audit reported to the Audit Panel on 29 May 2018 highlighted that the service is fully compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS).

5.2 The standards require a Quality Assurance and Improvement Programme to be in place and this was presented and approved by the Audit Panel on 29 May 2018. The service developments listed in Table 6 below were included for 2018/19.

Table 6 – Service Developments 2018/19

Developments	Progress to Date
1. To review the usage of the audit management system 'Galileo' to further maximise efficiencies from the use of e-technology	Review scheduled for Quarter 3. Improvements identified by the Team/Service Areas are reviewed and adopted where appropriate to continuously improve the service.
2. To deliver the recommendations from the PSIAS Peer Review conducted in March 2018.	**Appendix 2** provides a progress report in relation to the recommendations agreed following the Peer Review in March 2018.
3. To review all fraud, bribery and corruption polices plans etc. including the whistleblowing and money laundering policies, to ensure they are fit for purpose and then consider how to effectively deliver training and awareness.	Draft documents have been produced and these are currently being reviewed and then the appropriate governance process will be followed to ascertain approval.
4. To provide an options paper for the provision of Internal Audit going forward across the Strategic Commission.	An outline business case is being finalised and will initially be discussed with the Director of Finance.

6. ANNUAL GOVERNANCE STATEMENT 2017/18 – IMPROVEMENT UPDATES

6.1 The Annual Governance Statement presented to the Audit Panel on 29 May 2018 and approved by the Overview (Audit) Panel on 30 July 2018 highlighted several areas for improvement. Table 7 below provides an update on progress to date.

Table 7 – Annual Governance Statement Improvement Areas

Area of Review	Improvement Required	Progress to Date February 2019
Vision Tameside (Carry Forward)	This is a multi-million pound project in partnership with Tameside College, and needs to be delivered in accordance with agreed milestones. It is essential that the risks to service delivery during the interim period are kept under review to minimise disruption to the people and businesses of	'Practical Completion' Friday 15 February 2019. Occupation planned for March, with the Library and Customer Service Centre opening first. All accommodation moves are being managed by an internal group chaired by the Head of

Area of Review	Improvement Required	Progress to Date February 2019
	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.	Operations and Neighbourhoods, and recant coordinators have been allocated to each service.
Children's Services (Carry Forward)	Improvements in response to the Ofsted Inspection published in December 2016, which have been detailed in the Tameside Children's Services Improvement Plan, need to be implemented and an Improvement Board is in place to monitor progress.	Permanent leadership now largely appointed. Between Sept 2018 – Feb 2019 Director of Children's Services (DCS), Assistant Director, Head of Service and three Service Unit Managers took up post. Revised Improvement Plan in place. Significant effort has been made over the past 16 months to address the improvements required and there is clear evidence of positive impact. Ofsted monitoring visit in November 2018 identified both areas of progress and those requiring further development, again confirming that the Council understands itself, the challenges faced and what we need to do to improve. Work is continuing on the improvement journey. A full inspection is expected in the next couple of months.
Pension Fund Pooling of Investments (Carry Forward)	Greater Manchester Pension Fund is working with other large metropolitan LGPS funds to create a £45+ 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 three funds have established investment vehicles, which makes collective direct infrastructure investments and collective private equity investments. A procurement exercise was undertaken to appoint a pool custodian and the contracts are being finalized. A formal joint committee governance structure will be established in the next few months. Representatives of the Fund will continue to work closely and seek professional advice, as required, in

Area of Review	Improvement Required	Progress to Date February 2019
	the desired outcomes are realised.	order to finalise all aspects of the Pool. New draft pooling guidance has been issued for consultation which the Northern pool will be responding to.
Health and Safety (Carry Forward)	To Review process and procedures in place to ensure consistency of approach and embrace electronic recording where appropriate.	Directorate Health and Safety Meetings now established to ensure consistency of approach across the organisation. Health and Safety Manager now in post. A full audit of all aspects of the Council to be commissioned and then a new service established with electronic accident reporting.
Management of CCTV (New)	To review the processes and procedures in place across the Council to ensure consistency of approach and compliance with all relevant legislative requirements.	An Action plan has been produced with deadlines to March 2019. A number of actions have been completed and others are in progress.
Creditors (New)	Improvements to the creditor payments system have been highlighted as part of an internal audit review.	An Action plan has been agreed and work is in progress to improve the system in place.
Estates Management (New)	Improvements to the Estates Management system have been highlighted as part of an internal audit consultancy review.	An independent review of the Council's Estates Service to be undertaken March-April 2019. This will help inform options for any future integrated estates and property service.
ICT Disaster Recovery and Business Continuity Planning (New)	Enhancements are needed to the systems in place so that they meet with the requirements of the Council and best practice, to ensure continuity of service in the event of an incident, which causes disruption, or denial of service.	The templates in place have been updated and work is underway to ensure all services have a Business Continuity Plan in by March 2019. ICT Disaster Recovery Plan is being considered as part of the Vision Tameside Project in line with the completion of Tameside One and the new data centre.
Information Governance (New)	To ensure that information governance processes across the Council are consistently applied and compliant with the EU General Data Protection Regulations and	Work is ongoing to ensure that the Council can demonstrate compliance with GDPR and the Data Protection Act 2018.

Area of Review	Improvement Required	Progress to Date February 2019
	the new Data Protection Act 2018.	

7 IRREGULARITIES/COUNTER FRAUD WORK

7.1 Fraud, irregularity and whistle-blowing investigations are conducted by two members of the Internal Audit Team under the direction of a Principal Auditor and the Head of Risk Management and Audit Services to ensure consistency of approach.

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

7.3 The number of cases investigated during the period April 2018 to January 2019 is summarised in Table 8 below.

Table 8 – Investigations Undertaken from April 2018 to January 2019

Detail	No. of Cases
Cases B/Forward from 2017/2018	11
Current Year Referrals	13
Total	**24**
Cases Closed	17
Cases Still under Investigation	7
Total	**24**
Assistance Cases	**8 (4 Active)**

7.4 The above investigations can be categorised by fraud type as shown in Table 9 below.

Table 9 – Investigations by Fraud Type Table 6 – Investigations by Fraud Type

Fraud Type	No. of Cases	Value of Fraud £	Recovered To Date £	Potential Annual Savings £
Direct Payment	7	99,952	2,640	83,344
Misappropriation of Service User's monies	2	23,006	-	-
Procurement	3	79,576	-	-
Falsifying expenditure claims / manipulation of timesheets	2	502	-	-
Misappropriation of public funds	3	13,218	13,218	825
Theft	6	1,214	-	-
Misuse of Resources	1	Unknown	-	-
Total	**24**	**217,468**	**15,858**	**84,169**

7.5 The data sets for National Fraud Initiative (NFI) 2018 Exercise were uploaded in October 2018 and the matches identified for Tameside were received in early February. Table 10 below provides a summary of the key matches identified and further updates will be provided to the Audit Panel as investigations are progressed.

7.6 The matches this year have been rated, high, medium or low and the definitions are as follows:-

- High – Individuals for which some significant fraud risks were identified.
- Medium – Individuals for which some potential fraud risk factors were identified.
- Low – Individuals for which few potential fraud risk factors were identified.

Table 10 – NFI Data Matches 2018

NFI Data Set	Total Number of Matches	Match Rating	Comments		
			Processed	In Progress	No. of Error/Frauds and Value
Pensions to DWP Deceased Persons	897	**High**			
Pensions to Payroll	1885	**High**			
Deferred Pensions to DWP Deceased	145	**High**			
Housing Benefits to Student Loans	31	**High**			
Housing Benefits Claimants to DWP Deceased	82	**High**			
Housing Benefits Claimants to Pensions	496	**High**			
Council Tax Reduction Scheme to Pensions	783	**High**			
Council Tax Reduction Scheme to Payroll	81	**High**			
Personal Budgets to DWP Deceased	2	**High**			
Blue Badge to DWP Deceased	34	**High**			
Private Residential Cares Homes to DWP Deceased	50	**High**			
Totals	**4,486**				

8 NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES

8.1 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 11 below:-

Table 11 – NAFN Membership

Member Type	January 2019	Sept 2018	Target	%
Local Authorities	358	356	420	84
Housing Associations	58	57	N/A	-
Other Public Bodies	15	15	N/A	-
Totals	**431**	**428**	**-**	**-**

8.2 NAFN held its AGM and summit at the Etihad Stadium, Manchester in October and the theme was Data, Disclosure and Threats. The event was attended by 191 delegates representing 96 members and overall satisfaction with the event was very high. At the AGM expressions of interest were invited from members wishing to join the NAFN Executive Board. The response and calibre of applicants was overwhelming and the Executive Board is now at full strength as shown in Table 12.

Table 12 – NAFN Executive Board

Executive Board Member	Representing Organisation
Wendy Poole (Chair)	Tameside MBC (Host Authority)
Peter Farrow (Treasurer)	Sandwell Council
Tom Powell	Manchester City Council
John Hillarby	LB Merton, Richmond and Wandsworth Councils
John Peerless Mountford	Brighton & Hove City Council
David Hogan	LB Croydon
Andy Hyatt	RB of Kensington and Chelsea/LB Hammersmith/ Fulham and Westminster City Council
Nick Hobbs	Swindon City Council
Shona Duncan (Scotland)	Dundee City Council
David Kleinberg **NEW**	Thurrock Council
Jo Boutflower **NEW**	North Yorkshire County Council
Dave Holland (Wales) **NEW**	Bridgend, Cardiff and the Vale of Glamorgan Councils
Iain O'Brien (co-opted) **NEW**	OFCOM
Ivan Bradshaw (co-opted) **NEW**	Newcastle u Tyne Hospitals NHS Foundation Trust

8.3 Use of the National Register of Taxi Licence Revocations and Refusals (NR3) database continues to grow with almost 1,000 entries to date and we now have over 250 nominated Single Points of Contact registered.

8.4 In May this year, Part 3 of the Investigatory Powers Act will finally come into force, bringing with it wide-ranging changes including the introduction of the Office for Communications Data Authorisation, removing independent authorisation and the need for local authorities to obtain judicial approval. There will also be greater access to traffic (events) data which will better support and assist investigators and their investigations. To help members understand the changes NAFN will be running a series of webinar sessions over the coming months and a series of roadshows across the UK to provide training and support on the implementation of the Investigatory Powers Act.

8.5 The webinar training programme is continuing to be very popular as it enables members to take part in bite size online sessions to discover more about the services NAFN offer.

8.6 The number of requests received during 2018/19 as detailed in Table 13 below has increased overall by 16.3% from the same period in the previous year.

Table 13 – NAFN Requests Received

Type of Request	2018/19 Apr-Dec	2017/18 Apr-Dec	2017/18 Full Year	% Increase (Decrease)
General Data Protection Requests	25,982	29,305	38,980	(11.3)
Driver and Vehicle Licensing Agency	11,773	12,592	16,507	(6.5)
Regulation of Investigatory Powers Act	728	607	760	19.9
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	9,071	9,143	12,425	(0.01)
Sub Total	**47,554**	**51,647**	**68,672**	**(7.9)**
Type B (Online)	107,299	81,388	112,341	31.8
Grand Total	**154,853**	**133,135**	**181,013**	**16.3**

8.7 A key piece of work that will be commencing shortly is a comprehensive review of the NAFN website with a particular focus on navigation, user experience, usability and content and to ensure user expectations are met a survey will be issued seeking views and suggestions as to how the site can be improved.

9 RECOMMENDATIONS

9.1 As set out on the front of the report.

INTERNAL AUDIT ACTIVITY REPORT - APRIL 2018 - JANUARY 2019

ACTIVITY TITLE	PURPOSE OF AUDIT	APPOVED AUDIT PLAN	REVISED PLAN	ACTUAL DAYS	VARIANCE	STATUS	LEVEL OF ASSURANCE
CHILDRENS							
Safeguarding	This review will examine the risks and the controls in place to mitigate those risks, in relation to Safeguarding Children.	0.00	1.20	1.90	0.70	Final Report Issued	Medium
Control Report - Use of Electronic Signatures and the Monitoring of Time in Respect of Agency Workers	To address control weaknesses identified as a result of undertaking an irregularity investigation.	0.00	0.00	3.94	3.94	Final Report Issued	N/A
Leaving Care	To provide assurance that internal controls are in place to ensure effective transition from the leaving care service.	0.00	1.20	1.20	0.00	Final Report Issued	Low
Troubled Families	To provide assurance that internal controls are in place to ensure effective transition from the leaving care service.	0.00	0.50	2.30	1.80	Completed	Medium
Troubled Families		10.00	0.00	0.00	0.00	Rescheduled to 2019/20	
PAR - Troubled Families		0.00	3.00	3.20	0.20	Completed	
Children's Homes	To review the financial, health and safety and risk assessment procedures at the Homes in addition to ensuring that the outcomes for the children are achieved.	20.00	20.00	30.44	10.44	Final Report Issued	Medium
Post Audit Reviews - Children's	Follow up work to ensure audit recommendations have been implemented.	10.00	0.00	0.00	0.00	Ongoing	
Emergency/Cash Payments	A review will take place of the cash/emergency payments being made by Children's Services to ensure robust processes are in place.	10.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Budgetary Control & Financial Management - Children's	To review the processes for monitoring the budget within Children's Services.	15.00	3.00	3.24	0.24	Rescheduled to 2019/20	
Liquid Logic	To review the system to ensure the security, technological and access controls are robust to protect the sensitive information within the system.	10.00	10.00	6.54	-3.46	Work in Progress	
PAR - Leaving Care	Follow up work to ensure audit recommendations have been implemented.	0.00	3.00	1.27	-1.73	Work in Progress	
PAR - St Lawrence Road - Investigation Control Report		0.00	4.00	3.35	-0.65	Work in Progress	
Planning & Control - Children's	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.	6.00	6.00	4.53	-1.47	Ongoing	
Advice - Tapestry System Sign Off	To provide assurance that the new system is fit for purpose.	0.00	2.20	4.66	2.46	Completed	
Advice - Children's	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	3.00	3.00	1.16	-1.84	Ongoing	
Days Required to Complete 2017/18 Work		5.00	0.00	0.00	0.00	Days Allocated	
TOTAL FOR CHILDREN'S		**89.00**	**57.10**	**67.73**	**10.63**		
SCHOOLS/LEARNING							
Gorse Hall Primary & Nursery School	To review the Financial Management/ICT Procedures/Information Governance Procedures of the school to ensure robust processes and procedures are in place in accordance with best practice to deliver a strong control environment.	6.00	6.00	5.93	-0.07	Final Report Issued	High
Stalyhill Junior School		6.00	6.00	6.60	0.60	Final Report Issued	High
Stalyhill Infants School		6.00	6.00	5.97	-0.03	Final Report Issued	High
Buckton Vale Primary School		6.00	6.00	6.70	0.70	Final Report Issued	High
Lyndhurst Primary & Nursery School		6.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Ravensfield Primary School		6.00	6.00	6.30	0.30	Final Report Issued	Medium
Broadbottom CE Primary School		6.00	6.00	6.18	0.18	Final Report Issued	Medium
Mottram CE Primary School		6.00	6.00	7.40	1.40	Final Report Issued	Medium
St Johns CE Primary School		6.00	6.00	6.00	0.00	Final Report Issued	High
Micklehurst Primary School		6.00	6.00	7.04	1.04	Final Report Issued	High

ACTIVITY TITLE	PURPOSE OF AUDIT	APPOVED AUDIT PLAN	REVISED PLAN	ACTUAL DAYS	VARIANCE	STATUS	LEVEL OF ASSURANCE
Holy Trinity CE Primary	To review the Financial Management/ICT Procedures/Information Governance Procedures of the school to ensure robust processes and procedures are in place in accordance with best practice to deliver a strong control environment.	6.00	6.00	6.42	0.42	Draft report Issued	
St Marys CE Infant & Nursery School Droylsden		6.00	10.00	10.58	0.58	Draft report Issued	
St Josephs RC Primary & Nursery School		6.00	6.00	7.25	1.25	Final Report Issued	Medium
St John Fisher RC Primary School		6.00	6.00	7.88	1.88	Draft report Issued	
Corrie Primary & Nursery		0.00	6.00	6.30	0.30	Draft report Issued	
St Christopher's RC Primary School		6.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Samuel Laycock School		6.00	6.00	0.00	-6.00	Q4	
Mossley Hollins High School		10.00	12.00	12.10	0.10	Final Report Issued	Medium
St Damien's RC Science College		10.00	10.00	8.30	-1.70	Final Report Issued	High
St Thomas More RC College		10.00	10.00	9.77	-0.23	Final Report Issued	High
Cromwell High School		10.00	10.00	1.75	-8.25	Work in Progress	
Holden Clough Primary & Nursery		0.00	2.00	2.40	0.40	Final Report Issued	Medium
Holy Trinity C E Gee Cross		0.00	2.50	4.40	1.90	Final Report Issued	Medium
St Marys R C Primary & Nursery, Dukinfield		0.00	0.75	0.57	-0.18	Final Report Issued	Medium
St Anne's R C Primary & Nursery, Audenshaw		0.00	1.00	1.90	0.90	Final Report Issued	Low
Thomas Ashton Primary & Secondary Centres		0.00	1.20	1.30	0.10	Final Report Issued	Medium
St. Anne's Primary, Denton		0.00	0.00	0.20	0.20	Final Report Issued	High
Payroll - Schools, incl. Third Party Providers	To ensure that there are adequate controls in place, and the payroll rules are being complied with re payroll in schools, including where the service has been outsourced.	15.00	15.00	13.51	-1.49	Work in Progress	
Special Educational Needs and Disability (SEND)	A review of the service provided and the financial allocation of funding.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
PAR - Arlies Primary & Nursery	Follow up work to ensure audit recommendations have been implemented.	0.00	1.00	0.67	-0.33	Completed	
PAR Control Report - Wild Bank Primary & Nursery		0.00	1.25	1.25	0.00	Completed	
PAR - Millbrook Primary & Nursery		0.00	1.00	0.56	-0.44	Completed	
PAR - Poplar St Primary Nursery		0.00	1.00	1.00	0.00	Cancelled	
PAR - Dane Bank Primary & Nursery		0.00	1.00	1.07	0.07	Completed	
PAR - Milton St Johns C E Primary		0.00	0.40	0.49	0.09	Completed	
PAR - St Pauls R C Primary & Nursery Hyde		0.00	1.00	0.57	-0.43	Completed	
PAR - St Marys R C Primary & Nursery, Dukinfield		0.00	1.50	1.70	0.20	Completed	
PAR - Alder Community High School		0.00	3.00	3.14	0.14	Completed	
PAR - Aldwyn Primary		0.00	1.50	1.60	0.10	Completed	
PAR - St Anne's R C Primary & Nursery, Audenshaw		0.00	2.00	2.40	0.40	Completed	
PAR - St Peters RC Primary & Nursery Stalybridge		0.00	0.20	0.28	0.08	Completed	
PAR - St. Georges C E Primary Mossley		0.00	1.00	0.95	-0.05	Completed	
PAR - Thomas Ashton Primary & Secondary Centres		0.00	3.00	3.20	0.20	Completed	
PAR - Hyde Community College		0.00	2.00	2.52	0.52	Completed	
PAR - Pupil Referral Service		0.00	6.00	8.20	2.20	Completed	
PAR - Mossley Hollins		0.00	2.00	0.14	-1.86	Work in Progress	
Corrie Primary & Nursery - Income Records Review	To provide assurance in relation to the Income Records at the school	0.00	0.00	4.80	4.80	Completed	
Corrie Primary & Nursery School - Control Report	Investigations and Control reports to ensure improvements in controls are implemented to ensure irregularities do not reoccur.	0.00	0.00	1.20	1.20	Completed	
Investigation Control Report - Arundale Primary & Nursery		0.00	0.00	2.10	2.10	Final Report Issued	N/A
Pinfold Primary & Nursery - Theft of iPads August 2018		0.00	0.00	2.09	2.09	Draft report Issued	
PAR - Investigation Control Report - Arundale Primary & Nursery	Follow up work to ensure audit recommendations have been implemented.	0.00	4.00	4.80	0.80	Completed	
Planning and Control - Learning	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	8.00	8.00	8.73	0.73	Ongoing	
Post Audit Review - Learning	Follow up work to ensure audit recommendations have been implemented.	40.00	2.00	0.20	-1.80	Ongoing	

ACTIVITY TITLE	PURPOSE OF AUDIT	APPOVED AUDIT PLAN	REVISED PLAN	ACTUAL DAYS	VARIANCE	STATUS	LEVEL OF ASSURANCE
Advice - Learning	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes. Provision of School Newsletter.	15.00	15.00	10.69	-4.31	Ongoing	
Days Required to Complete 2017/18 Work		14.00	0.00	0.00	0.00	Days Allocated	
TOTAL FOR SCHOOLS/LEARNING		**243.00**	**216.30**	**217.09**	**0.79**		
ADULTS							
Integrated Urgent Care Team	To provide assurance that effective internal controls are in place in respect of the Integrated Urgent Care Team.	15.00	15.00	25.48	10.48	Draft Report Issued	
Locality Teams - Care Management	To provide assurance that effective internal controls are in place in respect of Care Management.	15.00	15.00	18.03	3.03	Work in Progress	
Nursing and Residential Home Placements - Payments	To provide assurance that effective internal controls are in operation in respect of the placement of clients into residential/nursing homes and that the payments made are correct.	15.00	15.00	0.00	-15.00	Q4	
Shared Lives	To review the processes in place for the delivery of the Shared Lives Service.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Budgetary Control & Financial Management	To ensure effective arrangements are in place in respect of Budgetary Control and Financial Management.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Control Report - Misappropriation of Service Users Monies	To address control weaknesses identified as a result of undertaking an irregularity investigation.	0.00	0.00	1.82	1.82	Completed	
PAR - Learning Disabilities Client Accounts	Follow up work to ensure audit recommendations have been implemented.	0.00	1.50	0.38	-1.12	Work in Progress	
PAR - Control Report - Somerset House		0.00	2.00	2.21	0.21	Completed	
Control Report - The Issue of Emails Containing Personal and Sensitive Client Information to the Incorrect Care Homes	To address control weaknesses identified as a result of undertaking an irregularity investigation.	0.00	0.00	4.00	4.00	Final Report Issued	N/A
Control Report - Integrated Urgent Care Team	To address control weaknesses identified as a result of undertaking an irregularity investigation.	0.00	0.00	5.37	5.37	Draft Report Issued	
PAR - Reablement	Follow up work to ensure audit recommendations have been implemented.	0.00	2.50	2.96	0.46	Completed	
Planning & Control - Adult Services	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	8.00	8.00	4.29	-3.71	Ongoing	
Advice - Adult Services	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	10.00	10.00	4.02	-5.98	Ongoing	
Post Audit Reviews - Adult Services	Follow up work to ensure audit recommendations have been implemented.	7.00	1.00	0.00	-1.00	Ongoing	
Days Required to Complete 2017/18 Work		2.00	0.00	0.00	0.00	Days Allocated	
TOTAL FOR ADULTS		**102.00**	**70.00**	**68.56**	**-1.44**		
POPULATION HEALTH							
Disabled Facilities Grant	Certification to confirm that expenditure has been incurred in accordance with the grant conditions.	3.00	3.00	1.70	-1.30	Completed	
Health and Wellbeing - Health Visiting Service	To review the process in place for the commissioning and monitoring of the Health Visiting Service as an aspect of the Mandatory Healthy Child Programme (0-5).	15.00	15.00	16.48	1.48	Work in Progress	
PAR - Population Health - Contract Monitoring - Provision of a Drug and Alcohol Recovery Service	Follow up work to ensure audit recommendations have been implemented.	0.00	1.00	1.50	0.50	Completed	
Population Health - Information Incident Investigation Control Report	To address control weaknesses identified as a result of undertaking an information security incident investigation.	0.00	0.00	3.66	3.66	Completed	
PAR - Information Incident Investigation Control Report - Katherine Cavendish House	Follow up work to ensure audit recommendations have been implemented.	0.00	2.00	0.42	-1.58	Work in Progress	

ACTIVITY TITLE	PURPOSE OF AUDIT	APPOVED AUDIT PLAN	REVISED PLAN	ACTUAL DAYS	VARIANCE	STATUS	LEVEL OF ASSURANCE
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.	3.00	3.00	0.58	-2.42	Ongoing	
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.	1.00	1.00	0.00	-1.00	Ongoing	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	2.00	0.00	0.00	0.00	Days Allocated	
Days Required to Complete 2017/18 Work		1.00	0.00	0.00	0.00	Days Allocated	
TOTAL FOR POPULATION HEALTH		**25.00**	**25.00**	**24.34**	**-0.66**		
GROWTH							
Inspired Spaces - Monitoring Of The Catering Contract	To provide assurance that effective contract monitoring processes are in place in order to ensure compliance.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Estate Acquisitions and Disposals	To provide assurance that the Council's Estate is being effectively managed and appropriate governance is in place in respect of acquisitions and disposals.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Estates Management	To provide assurance that the Council's Estate is being effectively managed.	0.00	0.00	0.76	0.76	Completed	
Vision Tameside	To provide assurance that effective processes are in place in order to deliver the project within the revised timeframe and within budget.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Planning Process	To provide assurance that effective systems are in place in respect of the planning process.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
PAR - Section 106 Agreements, Developer Levy and Community Infrastructure Levy	Follow up work to ensure audit recommendations have been implemented.	0.00	2.50	0.22	-2.28	Work in Progress	
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.	4.00	4.00	3.19	-0.81	Ongoing	
Hattersley Collaboration Agreement	To undertake an audit of the Final Accounts.	0.00	0.30	0.47	0.17	Final Report Issued	N/A
Hattersley Collaboration Agreement	To undertake an audit of the Final Accounts.	5.00	5.00	10.08	5.08	Draft Report Issued	N/A
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.	1.00	1.00	0.00	-1.00	Ongoing	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	6.00	6.00	0.00	-6.00	Ongoing	
TOTAL FOR GROWTH		**76.00**	**18.80**	**14.72**	**-4.08**		
OPERATIONS AND NEIGHBOURHOODS							
Transport	To provide assurance that effective internal controls are in place in respect of the provision of transport.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Youth Service	To ensure effective internal controls are in place in relation to the delivery of the Youth Service.	15.00	15.00	17.35	2.35	Work in Progress	
Provision of the Integrated Transport Service	To provide assurance that internal controls are in place to ensure the effective provision of transport to service users.	20.00	20.00	27.99	7.99	Draft Report Issued	
Servitor	To review the process for calculating engineering recharges to ensure that they are being correctly determined.	15.00	15.00	1.50	-13.50	Deferred	
Use Of CCTV	To provide assurance that effective internal controls are in place in respect of the provision of the Closed Circuit Television system.	0.00	1.50	4.30	2.80	Final Report Issued	Low
Local Authority Bus Subsidy Grant	Certification to confirm that expenditure has been incurred in accordance with the grant conditions.	2.00	2.00	2.65	0.65	Completed.	

ACTIVITY TITLE	PURPOSE OF AUDIT	APPOVED AUDIT PLAN	REVISED PLAN	ACTUAL DAYS	VARIANCE	STATUS	LEVEL OF ASSURANCE
Control Report - Thefts at Tame Street Garage	To address control weaknesses identified as a result of undertaking an irregularity investigation.	0.00	0.00	5.80	5.80	Final Report Issued	N/A
Control Report - Thefts at Tame Street First Floor Offices	To address control weaknesses identified as a result of undertaking an irregularity investigation.	0.00	0.00	0.73	0.73	Work in Progress	
Control Report - Theft at Droylsden Library	To address control weaknesses identified as a result of undertaking an irregularity investigation.	0.00	0.00	2.49	2.49	Work in Progress	
Control Report - Youth Service - Unauthorised Use of a Vehicle and Equipment	To address control weaknesses identified as a result of undertaking an irregularity investigation.	0.00	0.00	3.48	3.48	Draft Report Issued	
PAR - Use Of CCTV	Follow up work to ensure audit recommendations have been implemented.	0.00	5.00	5.11	0.11	Completed.	
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.	7.00	7.00	2.82	-4.18	Ongoing	
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.	12.00	12.00	4.83	-7.17	Ongoing	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	11.00	6.00	0.00	-6.00	Ongoing	
Days Required to Complete 2017/18 Work		4.00	0.00	0.00	0.00		
TOTAL FOR OPERATIONS AND NEIGHBOURHOODS		**101.00**	**83.50**	**79.05**	**-4.45**		
GOVERNANCE							
Softbox	A review is planned to look at the whole system from Children's Services through to the payment on Softbox, to ensure that the controls to prevent overpayments are operating effectively.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Apprenticeship Levy	A review of the processes within the organisation, including the finance process.	15.00	15.00	18.61	3.61	Work in Progress	
iTRENT Self Service	We will sign off the new module to ensure that the appropriate procedure has been followed prior to the implementation and the system is fit for purpose and secure.	10.00	10.00	2.67	-7.33	Work in Progress	
Social Media Controls	A review will be carried out to ensure that the set up and security of the Authority's Social Media accounts is robust and in line with recommended practice.	5.00	5.00	1.28	-3.72	Work in Progress	
GMPF Annual Return - Compliance Checks	Checks on the compliance checklist submitted with the GMPF Annual Return, to enable it to be signed off by the Head of Internal Audit.	4.00	4.00	3.76	-0.24	Completed	
External Audit Checks - Payroll	External Audit select a sample from iTrent and Internal Audit carry out checks and provide the evidence to support the transactions.	6.00	6.00	2.81	-3.19	Work in Progress	
Registrars	An allocation is included in the Plan each year to review the records and income in respect of individual Registrars, on a cyclical basis.	0.00	0.00	0.00	0.00	Days Allocated	
Registrars Visit August 2018		6.00	3.75	3.60	-0.15	Final Report Issued	High
Registrars Visit December 2018		0.00	3.00	2.69	-0.31	Final Report Issued	High
Members Allowances - Publication	To provide data assurance in relation to the publication of members allowances.	3.00	3.00	2.63	-0.37	Completed	
Creditors Full System	To provide assurance that all invoices and payment requisitions are paid correctly, on a timely basis, and expenditure is appropriately accounted for.	0.00	3.00	5.31	2.31	Final Report Issued	Low
PAR - Payroll Whole System	Follow up work to ensure audit recommendations have been implemented.	0.00	1.50	1.25	-0.25	Work in Progress	
PAR - DBS Procedures		0.00	1.50	1.32	-0.18	Work in Progress	
PAR - Procure and Pay		0.00	0.00	0.07	0.07	Work in Progress	
Agresso Upgrade - Sign off	Signing off the upgrade of the General Ledger system.	0.00	10.00	14.42	4.42	Completed	
Car Allowances Review	To provide data assurance in relation to Car Allowances	0.00	0.00	1.78	1.78	Completed	
Holiday Pay Exercise	To provide data assurance in relation to Holiday Pay	0.00	0.00	2.99	2.99	Completed	

ACTIVITY TITLE	PURPOSE OF AUDIT	APPOVED AUDIT PLAN	REVISED PLAN	ACTUAL DAYS	VARIANCE	STATUS	LEVEL OF ASSURANCE
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.	3.00	3.00	5.08	2.08	Ongoing	
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.	15.00	15.00	9.53	-5.47	Ongoing	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	10.00	1.00	0.00	-1.00	Ongoing	
Determination and Recovery of Adult Service Care and Support Charges	To review the processes in place within Exchequer Services to ensure that charges are being correctly calculated and promptly recovered.	15.00	15.00	15.30	0.30	Work in Progress	
Debtors Full System	To provide assurance that all invoices are correctly raised and income is promptly collected and appropriately accounted for.	15.00	15.00	15.69	0.69	Work in Progress	
PAR - Direct Payments	Follow up work to ensure audit recommendations have been implemented.	0.00	2.00	4.88	2.88	Completed	
Council Tax Full System	To examine the internal controls in place regarding the collection of Council Tax income to ensure it is promptly collected, maximised and correctly accounted for.	0.00	4.00	8.21	4.21	Final Report Issued	Medium
NNDR Full System	To examine the internal controls in place regarding the collection of NNDR income to ensure it is maximised, promptly recovered and correctly accounted for.	0.00	0.85	1.20	0.35	Final Report Issued	Medium
Advice and Support - Deferred Payment Scheme	To review the processes and procedures in place and provide advice on revised controls needed to improve the control environment.	0.00	0.00	11.01	11.01	Work in Progress	
PAR - NNDR Full System	Follow up work to ensure audit recommendations have been implemented.	0.00	1.50	0.61	-0.89	Work in Progress	
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.	5.00	5.00	3.14	-1.86	Ongoing	
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.	15.00	15.00	4.93	-10.07	Ongoing	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	6.00	4.50	0.00	-4.50	Ongoing	
Days required to Complete 2017/18 Work		14.00	0.00	0.00	0.00	Days Allocated	
TOTAL FOR GOVERNANCE		**162.00**	**147.60**	**144.77**	**-2.83**		
FINANCE							
Review of Financial Regulations	To review and make recommendations to update Financial Regulations.	2.00	2.00	1.55	-0.45	Completed	
Insurance	To review the arrangements in place for the delivery of the insurance function.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Procurement	Contingency days to be discussed with Director of Finance and Assistant Director of Finance to review procurement processes.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Information Governance	A review of the arrangements in place in respect of Information Governance.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Risk Management	A review of the arrangements in place in respect of Risk Management.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Bank Reconciliation Procedures	To provide assurance that bank reconciliations are being correctly undertaken on a regular/timely basis and that any discrepancies are being promptly investigated.	10.00	12.00	9.44	-2.56	Work in Progress	
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.	6.00	6.00	1.25	-4.75	Work in Progress	

ACTIVITY TITLE	PURPOSE OF AUDIT	APPOVED AUDIT PLAN	REVISED PLAN	ACTUAL DAYS	VARIANCE	STATUS	LEVEL OF ASSURANCE
Click Travel	To provide assurance that effective arrangements are in place in respect of procuring travel and accommodation arrangements.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
PAR - Review of Financial Systems - General Ledger and Budgetary Control	Follow up work to ensure audit recommendations have been implemented.	0.00	0.30	0.40	0.10	Completed	
VAT	To provide assurance that VAT is being appropriately recorded and accounted for.	0.00	0.75	0.28	-0.47	Final Report Issued	Medium
PAR - Monitoring of the Capital Programme	Follow up work to ensure audit recommendations have been implemented.	0.00	4.00	6.22	2.22	Completed	
Treasury Management	To provide assurance that effective internal controls are in place in respect of the provision of the Treasury Management function.	0.00	0.50	1.60	1.10	Final Report Issued	Medium
PAR - Better Care Fund	Follow up work to ensure audit recommendations have been implemented.	0.00	0.25	0.60	0.35	Completed	
PAR - Treasury Management		0.00	1.50	2.12	0.62	Work in Progress	
Planning and Control - Finance	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.	4.00	4.00	2.93	-1.07	Ongoing	
Advice and Support - Finance	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	5.00	7.00	4.04	-2.96	Ongoing	
Post Audit Reviews - Finance	Follow up work to ensure audit recommendations have been implemented.	8.00	4.50	0.00	-4.50	Ongoing	
Cyber Security Review	The review will examine the controls in place, to ensure that the Authority is protected from cyber attacks.	15.00	15.00	8.41	-6.59	Work in progress	
Distributed Denial of Service (DDoS) attacks	A consultancy review to look at the DDoS attacks was undertaken to ensure controls were robust.	0.00	0.00	8.91	8.91	Completed	
Network Security (incl. 3rd Party access)	The review will examine the controls in place to secure the Network and will include the controls to enable authorised third parties to access the network.	10.00	0.00	0.00	0.00	Rescheduled to 2019/20	
ISO 27001 Gap Analysis	Although the Authority does not have this formal accreditation, it is planned to compare the recommended controls in the Standard to the controls that are currently in place.	10.00	10.00	5.52	-4.48	Work in progress	
ICT Recharges	A review is planned to examine the determination and accounting of the recharges.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
BACS - New System Sign Off	New BACS software is to be introduced and Internal Audit will carry out checks to sign it off prior to it going live.	0.00	2.00	0.37	-1.63	Completed	
PAR - Device Management	Follow up work to ensure audit recommendations have been implemented.	0.00	0.50	1.40	0.90	Completed	
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.	4.00	4.00	2.72	-1.28	Ongoing	
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.	5.00	5.00	0.98	-4.02	Ongoing	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	3.00	3.00	0.00	-3.00	Ongoing	
Days Required to Complete 2017/18 Work		4.00	0.00	0.00	0.00	Days Allocated	
TOTAL FOR FINANCE		**176.00**	**82.30**	**58.74**	**-23.56**		
CROSS CUTTING							
Contingency for GM Combined Authority - Devolution Assurance and Joint Working	Work programme to be determined by the Greater Manchester Combined Authority in relation to grant certification work.	10.00	10.00	13.44	3.44	Work in Progress	

ACTIVITY TITLE	PURPOSE OF AUDIT	APPOVED AUDIT PLAN	REVISED PLAN	ACTUAL DAYS	VARIANCE	STATUS	LEVEL OF ASSURANCE
UK Mail Advice and Support	Advice in respect of the checks that need to be undertaken by Service Areas across the Council prior to them using UK Mail.	10.00	10.00	7.77	-2.23	Work in Progress	
TOTAL FOR CROSS CUTTING		**20.00**	**20.00**	**21.21**	**1.21**		
GREATER MANCHESTER PENSION FUND							
Northern Pool	A review will take place of the Governance arrangements for the newly formed Northern Pool.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
GLIL Regulated vehicle	A review will take place of the systems and procedures within GLIL in respect of the investments that are currently active.	10.00	10.00	0.52	-9.48	Work in Progress	
Compliance Function	A review is planned of the Compliance function to ensure that appropriate Compliance procedures have been put in place.	15.00	0.00	0.00	0.00	Rescheduled to 2019/20	
First Bus Asset Transfers	A check will be made to ensure that the transfer of assets in relation to the First Bus pension liabilities has been carried out correctly.	10.00	5.00	0.00	-5.00	Q4	
Transfer of Assets re Capital International	Checks will be carried out to ensure the accuracy and completeness of the asset transfers in relation to the previous Fund Manager.	10.00	10.00	11.22	1.22	Final Report Issued	High
Transfer of Assets to new Custodian	Checks will be carried out to ensure the accuracy and completeness of the asset transfers between the old and new custodian.	10.00	0.00	0.00	0.00	Rescheduled to 2019/20	
New Custodian - Northern Trust	Checks will be carried out to ensure the accuracy and completeness of the asset transfers between the old and new custodian.	0.00	0.00	0.80	0.80	Work in Progress	
Pooled Private Equity Vehicle	A review will be carried out of the systems in place in relation to the Pooled Private Equity Vehicle.	15.00	10.00	2.07	-7.93	Work in Progress	
iConnect	We will sign off this new module of Altair, prior to it going live, to ensure the system is fit for purpose and secure.	5.00	20.00	12.78	-7.22	Work in Progress	
Altair - Administration to Payroll Upgrade	The Payroll module of Altair is being upgraded to Java and Internal Audit have been asked to perform some data checks prior to the new upgrade going live.	5.00	5.00	0.00	-5.00	Q4	
Benchmarking-KPI's	A review will take place of the Pension Funds Benchmarking and Performance Indicators.	10.00	0.00	0.00	0.00	Rescheduled to 2019/20	
Segregation of Duties - New Structure	To ensure that segregation of duties is not compromised by the new staffing structure.	5.00	5.00	0.00	-5.00	Q4	
Move to Barclays Bank	A review will be carried out on the system/process followed for the Private Equity Investments.	5.00	0.00	0.00	0.00	Cancelled	
Member Self Service	We will sign off this new module of Altair, prior to it going live, to ensure the system is fit for purpose and secure..	10.00	10.00	6.67	-3.33	Work in Progress	
Move from Citrix re Altair	We will sign off this new module of Altair, prior to it going live, to ensure the system is fit for purpose and secure..	5.00	5.00	0.00	-5.00	Q4	
Contribution Income (including processing of Year End returns)	Contribution Income is reviewed annually, as it is the main income of the Pension Fund, paid over to the Fund by Employers. External Audit rely on our work on this area, to ensure that there are processes in place to monitor and review the contributions received.	15.00	15.00	15.40	0.40	Final Report Issued	High
Information Governance/Security Incidences	Investigation of Information Security Breaches under the Information Security Incident Reporting Procedure/Practice Note.	10.00	10.00	6.62	-3.38	Work in Progress	
Calculation and Payment of Benefits	Systems for the calculation of benefits will be examined, and followed through to the payment system.	0.00	16.00	16.26	0.26	Final Report Issued	High
GMP Reconciliation	To provide data assurance that the reconciliation process is robust and controlled.	0.00	5.00	0.00	-5.00	Q4	
Disaster Recovery/Business Continuity	To review the systems in place for Disaster Recovery and Business Continuity	0.00	10.00	0.00	-10.00	Q4	
GDPR	To review the systems in place in relation to GDPR	0.00	10.00	0.00	-10.00	Q4	
Agresso Upgrade	To sign off the Agresso upgrade prior to the system going live	0.00	10.00	12.38	2.38	Completed.	
VAT	To provide assurance that VAT is being appropriately accounted for.	0.00	0.35	0.30	-0.05	Final Report Issued	Medium
Treasury Management -Pension Fund	To provide assurance that effective internal controls are in place in respect of the provision of the Treasury Management function.	0.00	0.50	1.40	0.90	Final Report Issued	Medium

ACTIVITY TITLE	PURPOSE OF AUDIT	APPOVED AUDIT PLAN	REVISED PLAN	ACTUAL DAYS	VARIANCE	STATUS	LEVEL OF ASSURANCE
Local Investments Impact Portfolio	A review of the processes in place in relation to the investments in the Impact Portfolio.	0.00	0.50	0.79	0.29	Final Report Issued	High
ICT Device Management	To provide assurance that effective internal controls are in place in respect of Device Management.	0.00	5.00	5.24	0.24	Final Report Issued	High
PAR - Review of the Management of Assets by La Salle Asset Management	Follow up work to ensure audit recommendations have been implemented.	0.00	2.50	3.53	1.03	Work in Progress	
PAR -Private Equity		0.00	0.80	0.75	-0.05	Completed.	
PAR - Debtors		0.00	0.80	1.29	0.49	Completed.	
2nd PAR - Creditors		0.00	1.00	0.88	-0.12	Work in Progress	
PAR - Pension Benefits Payable		0.00	1.00	0.86	-0.14	Completed.	
PAR - Calculation and Payment of Benefits		0.00	1.50	0.94	-0.56	Work in Progress	
Altair	Follow up work to ensure audit recommendations have been implemented.	0.00	0.20	0.10	-0.10	Completed.	
PAR - Altair	Follow up work to ensure audit recommendations have been implemented.	0.00	0.00	0.35	0.35	Completed.	
PAR - Unitisation		0.00	1.50	1.81	0.31	Completed.	
PAR Treasury Management - Pensions Investments		0.00	1.50	2.21	0.71	Work in Progress	
PAR - GMPVF - First Street Development		0.00	1.50	1.21	-0.29	Work in Progress	
Visits to Contributing Bodies	An allocation of days is included annually for Internal Audit to carry out visits to a sample of Employers. The auditor reviews the data held on the Employer's payroll system to ensure that the correct contributions are being paid over to the Pension Fund.	70.00	0.00	0.70	0.70	Days Allocated	
Visit To Contributing Body - Manchester City Council		0.00	1.00	1.46	0.46	Final Report Issued	High
Visit To Contributing Body - Salford City Council		0.00	0.75	1.50	0.75	Final Report Issued	Medium
Visit To Contributing Body - Trafford MBC		0.00	1.50	2.11	0.61	Final Report Issued	Medium
Visits to Contributing Bodies - Trafford Housing Trust		0.00	8.00	8.10	0.10	Final Report Issued	Low
Visits to Contributing Bodies - Southway Housing Trust (Manchester) Limited		0.00	5.00	6.42	1.42	Final Report Issued	Low
Visit To Contributing Body - Bury Borough Council		0.00	6.00	11.80	5.80	Final Report Issued	High
Visit to Contributing Body - Salford University		0.00	5.00	5.78	0.78	Final Report Issued	High
Visit to Contributing Body - Manchester Metropolitan University		0.00	5.00	8.34	3.34	Final Report Issued	Medium
Visit To Contributing Body - Wigan Borough Council		0.00	6.00	9.54	3.54	Draft Report Issued	
Visit To Contributing Body - Oldham Metropolitan Borough Council		0.00	10.00	1.10	-8.90	Work in Progress	
Visits to Contributing Bodies - Oldham College		0.00	5.00	5.20	0.20	Draft Report Issued	
Visits to Contributing Bodies - Bolton at Home		0.00	5.00	4.83	-0.17	Work in Progress	
NPS - Review of 2017-18 Year End Return		0.00	15.00	14.93	-0.07	Completed.	
Contributing Body Visit to NPS - Review of APP		0.00	15.00	16.21	1.21	Completed.	
Contributing Body Visit to NPS - 2nd PAR		0.00	0.00	5.48	5.48	Completed.	
PAR - Visit To Contributing Body - Rochdale Metropolitan Borough Council		0.00	0.80	0.84	0.04	Completed.	
PAR Visit To Contributing Body - Tameside Metropolitan Borough Council		0.00	2.00	1.00	-1.00	Completed.	
PAR - Visits to Contributing Bodies - Trafford Housing Trust		0.00	2.00	2.10	0.10	Completed.	
PAR - Visits to Contributing Bodies - Salford City Council		0.00	2.00	0.28	-1.72	Work in Progress	
PAR - Visits to Contributing Bodies - Greater Manchester Police Authority		0.00	0.80	1.49	0.69	Completed.	
PAR - Contributing Body Visit to NPS		0.00	1.00	3.90	2.90	Completed.	
Control Report - Pension Overpayment	To address control weaknesses identified as a result of undertaking an irregularity investigation.	0.00	0.00	2.98	2.98	Work in Progress	
Service Charge - Chorlton Cross	To provide assurance that the income and expenditure charged is accurate and in line with supporting documents.	0.00	0.00	2.20	2.20	Completed.	
Advice and Support - New Altair Employer Codes	To provide assurance in relation to the changes to Employer codes in Altair	0.00	0.00	6.69	6.69	Work in Progress	

ACTIVITY TITLE	PURPOSE OF AUDIT	APPOVED AUDIT PLAN	REVISED PLAN	ACTUAL DAYS	VARIANCE	STATUS	LEVEL OF ASSURANCE
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.	15.00	15.00	16.99	1.99	Ongoing	
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.	10.00	10.00	9.33	-0.67	Ongoing	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	15.00	3.50	0.00	-3.50	Ongoing	
Days Required to Complete 2017/18 Work		35.00	0.00	0.00	0.00	Days Allocated	
TOTAL FOR GREATER MANCHESTER PENSION FUND		**300.00**	**300.00**	**257.68**	**-42.32**		

PLANNED WORK	**1294.00**	**1020.60**	**953.90**	**-66.70**	
COUNTER FRAUD WORK/INVESTIGATIONS	**463.00**	**530.00**	**467.98**	**-62.02**	
TOTAL AUDIT DAYS	**1,757.00**	**1,550.60**	**1,421.88**	**-128.72**	

Appendix 2

Internal Audit Service – Public Sector Internal Audit Standards Action Plan

The following points for action to develop the Audit Function arising from the Peer Review in March 2018 are detailed below:

PSIAS Ref	Ref No.	Points for Consideration	Responsible	Action	Update February 2019
1110	1	Consideration should be given to obtaining formal feedback from the Chief Executive and Chair of Audit Committee for the annual appraisal of the Head of Risk Management and Audit.	Director of Finance	The Annual Development Review for the Head of Risk Management and Audit will take on board the recommendation made.	This will be incorporated into the next Annual Development Review due in 2019.
1130	2	Consider allocating the formal SIRO designation to a chief officer, even if the internal audit team continues to support the SIRO function.	Director of Finance/Director of Governance and Resources	The roles relating to Information Governance are being discussed at a meeting on 9 May 2018.	The roles are being reviewed as part of a wider review looking at supporting functions for the Council and CCG.
2010	3	Consideration should be given to demonstrating how the audit plan and priorities align to the corporate risk register, assurance framework, link to the Council's objectives and priorities and the prioritisation of audit assignments.	Wendy Poole Head of Risk Management and Audit Services	The Audit Plan for 2018/19 will be presented taking on board this recommendation.	Implemented. The plan presented and approved by the Audit Panel in May 2018 incorporated this recommendation.
2010	4	The audit plan could be more specific to outline what an optimum level of staff would be able to deliver. This would enable the Audit Panel and Senior Management Team to make an informed assessment of the adequacy	Wendy Poole Head of Risk Management and Audit Services	The planning process for 2018/19 and future years will incorporate the recommendation made.	This was discussed during the planning process for 2018/19; however, a more formal approach will be adopted for 2019/20.

PSIAS Ref	Ref No.	Points for Consideration	Responsible	Action	Update February 2019
		of staffing levels.			
1300	5	The Quality Assurance and Improvement Programme (QAIP) should include an action plan identifying steps which will be taken to continually improve the service and enable Audit Panel to monitor progress. The Quality Assurance and Improvement Programme should also be referenced in the Annual Report.	Wendy Poole Head of Risk Management and Audit Services	The Quality Assurance and Improvement Programme (QAIP) for 2018/19 will take on board the recommendation and detail the improvements included in this report as a minimum.	Implemented. Updates now included in the Progress Reports presented to the Audit Panel.

During the review the following additional points for consideration were identified. Whilst these specific points are out of scope of the PSIA Standards/LGAN requirements, they are nonetheless contributory to the overall effectiveness and efficiency of the Internal Audit Service and are presented for information and consideration only:

Rec No.	Points for Consideration	Responsible	Action	Update February 2019
1	The Audit Plan and Progress reports to Audit Panel are described as reports of the AD Finance/Director of Finance with the Head of Risk Management and Audit also listed as a reporting officer. To ensure that audit retains its organisational independence we recommend that the reports go in the name of the Head of Risk Management and Audit.	Wendy Poole Head of Risk management and Audit Services	This will be discussed with the Director of Finance and Director of Governance and Pensions, as normal practice at the Council is for the Director to be listed then the reporting officer.	Reports are now presented in the name of the Head of Risk Management and Audit Services.
2	Consideration should be given to identifying the skills needs by the audit team to assist the Council with its current transformation programme and provide training and development opportunities to address any skills shortage.	Wendy Poole Head of Risk management and Audit Services	This will be discussed with the Director of Finance to ensure the appropriate skills are identified and training and development opportunities to address any skills shortage delivered.	Work to be undertaken in Q4, as part of the planning process.
3	Clearer guidance on the extent of post audit review work should be documented in line with the number and priority of recommendations. In addition, improved transparency could be achieved by including post audit reviews in the periodic progress reports to Audit Panel. Consideration should also be given to the process for agreeing extensions to target implementation dates and post audit review timings.	Wendy Poole Head of Risk management and Audit Services	Further enhancements to the progress reports to the Audit Panel were introduced during 2017/18 and the recommendation will be considered for the reporting process for 2018/19.	Guidance has been issued to staff in terms of completing Post Audit Reviews. In terms of transparency the post audit reviews undertaken are now included in the Progress Reports presented to the Audit Panel.

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Report to:	**AUDIT PANEL**
Date:	12 March 2019
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit
Subject:	**CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY – FRAUD AND CORRUPTION TRACKER FOR TAMESIDE**
Report Summary:	To advise Members of the report produced by the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre - Fraud and Corruption Tracker 2018 for Tameside.
Recommendations:	That members note the report.
Corporate Plan:	No direct links but supports the individual operations/objectives within the Community Plan.
Policy Implications:	Effective Counter Fraud arrangements demonstrate a commitment to high standards of corporate governance.
Financial Implications: **(Authorised by the statutory Section 151 Officer & Chief Finance Officer)**	Fraud diverts money away from service delivery and therefore it is important that effective counter fraud arrangements are in place to minimise losses relating to fraud.
Legal Implications: **(Authorised by the Borough Solicitor)**	The report demonstrates Council compliance with the Accounts and Audit Regulations 2015.
Risk Management:	Fraud is a risk to all organisations and therefore it is important that a sound system of internal control is in place to mitigate the risk of fraud and that counter fraud resources are sufficient to ensure that cases identified are investigated and where appropriate prosecuted to recover assets which have been wrongfully diverted away from service delivery.
Background Information:	The background papers relating to this report can be inspected by contacting, Wendy Poole, Head of Risk Management and Audit Services. Telephone: 0161 342 3846 e-mail: wendy.poole@tameside.gov.uk

1. INTRODUCTION

1.1 The Chartered Institute of Public Finance and Accountancy Counter Fraud Centre was launched in July 2014 and was created to fill the considerable gap in the UK counter fraud arena following the closure of the National Fraud Authority and the Audit Commission and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service run by the Department for Work and Pensions.

1.2 The Counter Fraud Centre supports the fight against fraud and corruption across public services by providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.

1.3 The report is divided into the following sections:-

- Introduction;
- Analysis of Types Frauds;
- Top Four Types of Frauds by Value;
- Sanctions - excluding Housing Benefit Frauds;
- Proceeds of Crime Act (POCA);
- Structure of the Counter Fraud and Corruption Function Activity;
- Counter Fraud Resources; and
- Fighting Fraud and Corruption Locally.

1.4 In terms of Tameside the number of frauds dealt with is low and because of the nature of investigations and the definition of “Detected Fraud” very little was reported in the survey.

2. CIPFA FRAUD AND CORRUPTION TRACKER REPORT 2018 - TAMESIDE

2.1 The report is based on the findings from the Chartered Institute of Public Finance and Accountancy’s Fraud and Corruption Tracker Survey which was completed in May/June 2018 and captured data for 2017/18. The report compares Tameside to other Metropolitan Unitaries and it focuses on common fraud types specific to local authorities. The Report is attached at **Appendix 1**.

2.2 The response rate for Metropolitan Unitaries was 50% and respondents reported 7,418 fraud cases with a value of £31.6m.

3. ANALYSIS OF FRAUD CASES/TYPES

3.1 Table 1 below details the type of fraud reported together with the value and number of cases for Tameside compared to the average for Metropolitan Unitaries.

Table 1 – Analysis of Fraud Cases

Types of Fraud	Tameside		Metropolitan Unitaries	
	Value £000	No. of Cases	Avg. Value £000	Avg. No. of Cases
Procurement	19.6	1	15.3	1
Pensions	16.6	5	0.6	0
Adult Social Care	11.0	4	4.6	1
Other	10.9	55	1356.1	213
Totals	**58.1**	**65**	**1,376.6**	**216**

Types of Fraud	Tameside		Metropolitan Unitaries	
Analysis of Other Fraud	**Value £000**	**No. of Cases**	**Avg. Value £000**	**Avg. No. of Cases**
Council Tax Frauds	10.9	54	87.1	163
School Funds	-	-	0.2	2
Blue Badge	-	-	6.8	18
Debt	-	-	0.5	1
Housing and Tenancy Fraud	-	-	1199.3	23
Payroll	-	-	7.2	1
Insurance Claims	-	-	13.1	1
Welfare Assistance	-	-	0.00	0
Business Rates	-	-	11.5	1
Recruitment	-	-	4.1	0
Expenses	-	-	0.1	0
Economic and Vol. Sector	-	-	2.3	0
Investments	-	-	-	-
Mandate Fraud	-	-	5.6	1
No Recourse to Public Funds	-	-	0.3	0
Child Social Care	-	-	0.1	0
School Transport	na	1	0.1	0
Manipulation of Data	na	-	na	0
Other Fraud	-	-	17.9	2
Totals	**10.9**	**55**	**1356.1**	**213**

"0" indicates a figure too small to be shown and "-" indicates zero
Totals and averages may not sum exactly due to rounding.

4. TOP FOUR TYPES OF FRAUD

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

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

5. SANCTIONS/PROCEEDS OF CRIME ACT (POCA)

5.1 Many organisations have the ability to undertake sanctions against those who commit fraud, whether via the police, the Crown Prosecution Service or in-house lawyers. Table 2 provides an analysis of the sanctions taken by Tameside and Metropolitan Unitary Councils during 2017/18.

Table 2 – Analysis of Sanctions

Type of Sanctions	Tameside	Metropolitan Unitaries Average	Tameside Cases
Prosecutions	1	4	Procurement Fraud – Police/CPS
Cautions	0	3	
Disciplinary Outcomes	4	3	Misappropriation of money Abuse of position Falsifying service user receipts
Other Sanctions	0	6	
Totals	**5**	**16**	

6. STRUCTURE OF THE COUNTER FRAUD AND CORRUPTION FUNCTION

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

6.2 The survey results show that the number of full-time equivalent (FTE) investigation staff has increased slightly in the UK since 2016/17 and across the country organisations are planning to maintain current levels in the next few years. Nationally, nine organisations have no dedicated counter fraud resource and thirteen consider it not applicable, which is an increase from 2016/17. While a dedicated counter fraud function is not essential, we recommend organisations have a fraud response plan that enables allegations of fraud to be investigated effectively by skilled and professional investigators.

6.3 The survey results also indicate a variety of counter fraud and corruption resources being accessed. While organisations will define their resource requirements based on their specific needs, in our view it is essential that staff involved in the counter fraud function are professionally qualified.

7. FIGHTING FRAUD AND CORRUPTION LOCALLY

7.1 The section briefly provides an update on how well local authorities are performing against the areas covered by Fighting Fraud and Corruption Locally (FFCL) which is the national counter fraud strategy and NAFN Data and Intelligence Services is a member of the Board.

8. CIPFA FRAUD AND CORRUPTION TRACKER OVERALL SUMMARY REPORT 2018

8.1 CIPFA estimates that across local authorities more than 75,000 frauds have been detected or prevented in 2017/18 with a total value of £302m, which is less than the £336m estimated in 2016/17. The average value per fraud has also reduced from £4,500 in 2016/17 to £3,600 in 2017/18.

8.2 The survey also revealed the following:

- Council Tax, Housing, Disabled Parking (Blue Badge) and Business Rates are the four main types of fraud affecting local authorities;
- Council Tax fraud represents the highest number of fraud cases reported at 70%, but only 8.7% of the detected value;
- Housing fraud represents 71.4% of the detected value, but only 5.7% of the number of fraud cases reported.

8.3 The report provides a summary page for each fraud type detailing the value and number of cases involved with a brief description of the fraud and where applicable case studies are included.

8.4 The report recommends that organisations:

- Public sector organisations need to remain vigilant and determined in identifying and preventing fraud in their procurement processes. Our survey showed this to be one of the prime risk areas and practitioners believe this fraud to be widely underreported;
- Effective practices on detecting and preventing adult social care fraud should be shared and adopted across the sector. Data matching is being used by some authorities with positive results;
- All organisations should ensure that they have a strong counter-fraud leadership at the heart of the senior decision-making teams. Fraud teams and practitioners should be supported in presenting business cases to resource their work effectively;

- Public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement; and
- The importance of the work of the fraud team should be built into both internal and external communication plans. Councils can improve their budget position and reputations by having a zero tolerance approach.

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

8.6 Both reports will be used to inform the work plan of the Risk Management and Audit Team for 2019/20 in terms of proactive fraud work and the Internal Audit Plan as it is important to learn how and why frauds occur in order to be able to ensure robust controls are in place within our systems to minimise the future occurrence of known frauds.

9. RECOMMENDATIONS

9.1 As set out on the front of the report.

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CIPFA The Chartered Institute of Public Finance & Accountancy

Counter Fraud Centre - Analytics & Research Team

fraud and corruption tracker

2018 - Tameside

CIPFA COUNTER FRAUD CENTRE

Introduction

The 2018 CIPFA Fraud and Corruption Tracker (CFaCT) survey examines the levels of fraud and corruption detected across the public services in the UK during the 2017/18 financial year. This report compares your organisation's survey data with others of the same type or tier. We are very grateful for your organisation's contribution and hope you find this report informative. The 2018 national report can be found at www.cipfa.org/cfact.

National Summary

Nationally response rates vary across the local authority tiers with the highest response rates coming from London and the counties. CIPFA estimates that fraud losses could be as high as £302m in the UK with the average loss per case being approximately £3,600. Local authorities report that the biggest area of fraud, in terms of volume, is Council Tax whilst Housing Tenancy Fraud is the area with the highest financial value.

Tier Summary

The response rate for Metropolitan Unitaries was 50%. Respondents reported 7,418 fraud cases with a value of £31.6m.

Contents

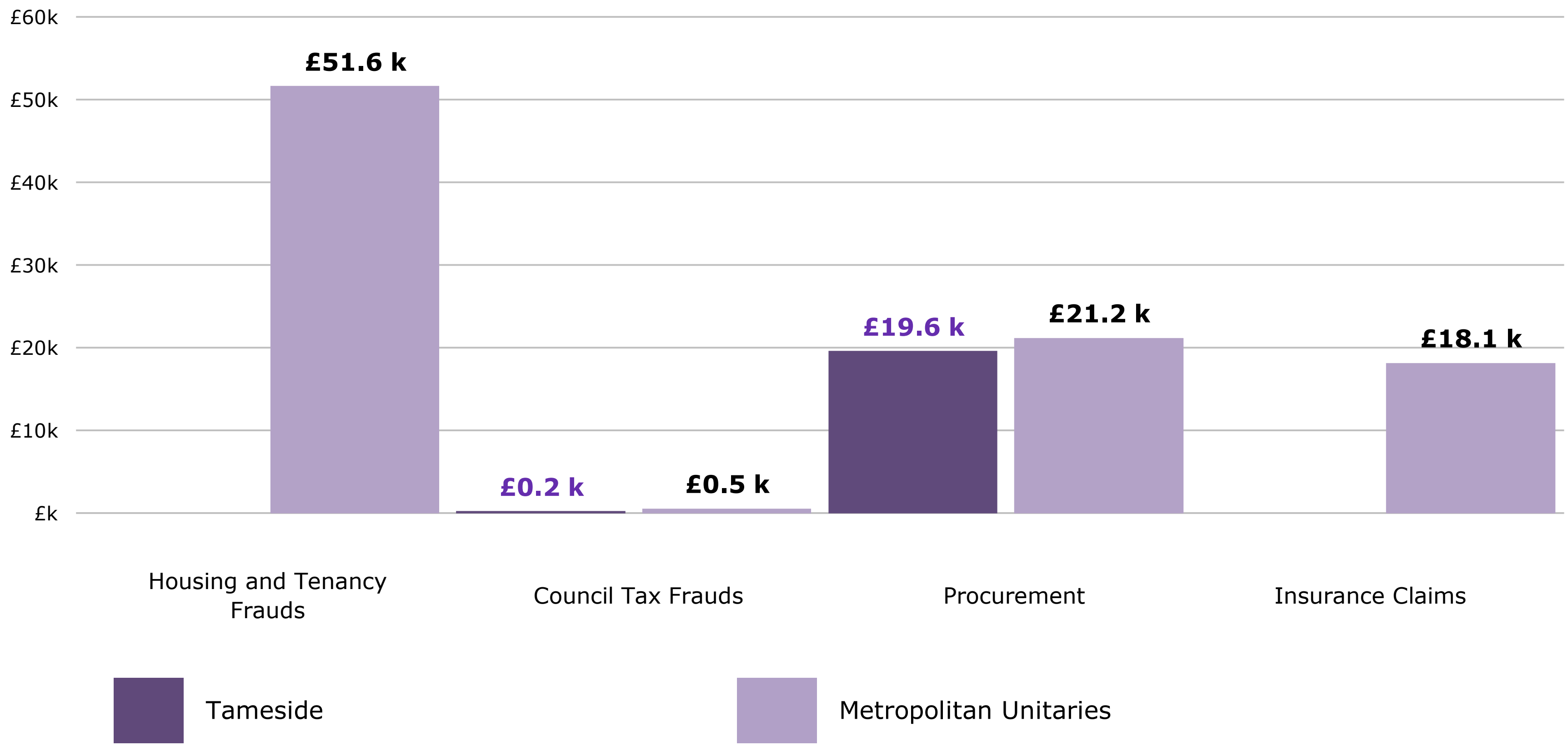
Analysis of Types of Fraud*

Types of Fraud	Value				Fraud Cases				Avg. Value per Case	
	Tameside		*Metropolitan Unitaries*		Tameside		*Metropolitan Unitaries*		Tameside	*Metropolitan Unitaries*
	£'k	% of the Total	*Avg. £'k*	*% of the Total*	Number	% of the Total	*Avg. Number*	*% of the Total*	£'k	*£'k*
Procurement	£19.6 k	34%	*£15.3 k*	*1%*	1	2%	*1*	*0%*	£19.6k	*£21.2k*
Pensions	£16.6 k	29%	*£0.6 k*	*0%*	5	8%	*0*	*0%*	£3.3k	*£2.8k*
Adult Social Care	£11.0 k	19%	*£4.6 k*	*0%*	4	6%	*1*	*1%*	£2.7k	*£3.6k*
Other Types of Fraud	£10.9 k	19%	*£1,356.1 k*	*99%*	55	85%	*213*	*99%*	£0.2 k	*£6.4k*
Total	**£58.1 k**	**100%**	***£1,376.6 k***	***100%***	**65**	**100%**	***216***	***100%***	**£0.9k**	***£6.4k***
Other types of Fraud:										
Council Tax Frauds	£10.90 k	19%	*£87.1 k*	*6%*	54	83%	*163*	*76%*	£0.2 k	*£0.5 k*
Schools Frauds (excl. transport)	-	-	*£0.2 k*	*0%*	-	-	*2*	*1%*	-	*£0.1 k*
Disabled Parking Concession (Blue Badge)	-	-	*£6.8 k*	*0%*	-	-	*18*	*8%*	-	*£0.4 k*
Debt	-	-	*£0.5 k*	*0%*	-	-	*1*	*0%*	-	*£0.7 k*
Housing and Tenancy Frauds	-	-	*£1,199.3 k*	*87%*	-	-	*23*	*11%*	-	*£51.6 k*
Payroll	-	-	*£7.2 k*	*1%*	-	-	*1*	*1%*	-	*£5.9 k*
Insurance Claims	-	-	*£13.1 k*	*1%*	-	-	*1*	*0%*	-	*£18.1 k*
Welfare Assistance	-	-	*£0.0 k*	*0%*	-	-	*0*	*0%*	-	*£0.3 k*
Business Rates	-	-	*£11.5 k*	*1%*	-	-	*1*	*0%*	-	*£18.8 k*
Recruitment	-	-	*£4.1 k*	*0%*	-	-	*0*	*0%*	-	*£29.6 k*
Expenses	-	-	*£0.1 k*	*0%*	-	-	*0*	*0%*	-	*£1.0 k*
Economic and Voluntary Sector	-	-	*£2.3 k*	*0%*	-	-	*0*	*0%*	-	*£27.3 k*
Investments	-	-	-	-	-	-	-	-	-	-
Mandate Fraud	-	-	*£5.6 k*	*0%*	-	-	*1*	*0%*	-	*£7.4 k*
No Recourse to public funds	-	-	*£0.3 k*	*0%*	-	-	*0*	*0%*	-	*£3.9 k*
Children Social Care	-	-	*£0.1 k*	*0%*	-	-	*0*	*0%*	-	*£1.2 k*
School Transport	na	na	*£0.1 k*	*0%*	1	2%	*0*	*0%*	na	*£0.2 k*
Manipulation of Data	na	na	*na*	*na*	-	-	*0*	*0%*	na	*na*
Other Fraud	-	-	*£17.9 k*	*1%*	-	-	*2*	*1%*	-	*£8.6 k*

*Actual Figures. Please note that "0" indicates a figure too small to be shown whereas "-" indicates zero.
Housing and Tenancy Frauds: Those authorities that do not hold housing stock have been excluded from the calculations.
Totals and averages may not sum exactly due to rounding.

Top Four Types of Fraud by Value

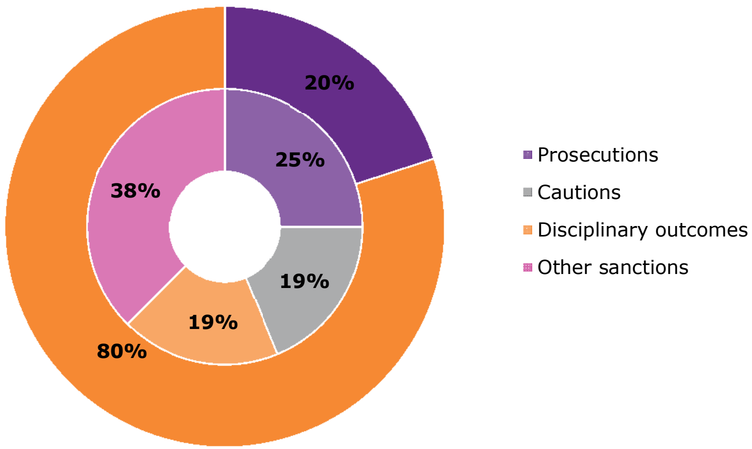
Average £'k per case for Tameside compared to the tier average



The graph above shows the top 4 types of fraud average value per case for Metropolitan Unitaries. The bars for Tameside are dark purple with purple labels whilst the tier average is a lighter purple bar with black labels.

Sanctions (excluding Housing Benefits Sanctions)

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



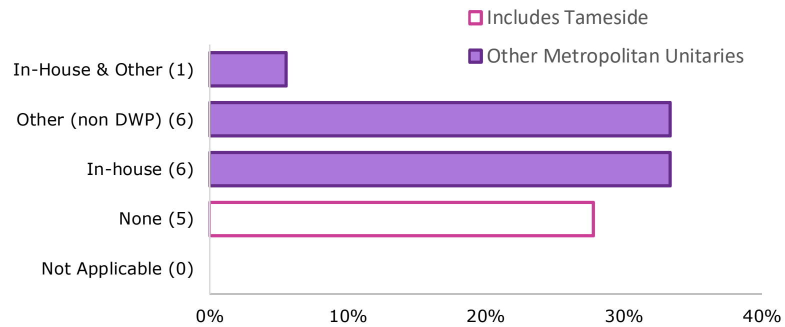
	Tameside		*Metropolitan Unitaries Average*	
	Number	(%)	*Number*	*(%)*
Prosecutions	1	(20%)	*4*	*(25%)*
Cautions	0		*3*	*(19%)*
Disciplinary Outcomes	4	(80%)	*3*	*(19%)*
Other Sanctions	0		*6*	*(38%)*
Total	**5**	(100%)	***16***	*(100%)*

Proceeds of Crime Act (POCA)

	Tameside	Metropolitan Unitaries Average
Money been awarded by court through POCA, excluding HB/CTB (over the last three financial years)	£100 k	*£29 k*
Money actually received through POCA, excluding HB/CTB (over the last financial three years)	£0 k	*£15 k*

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

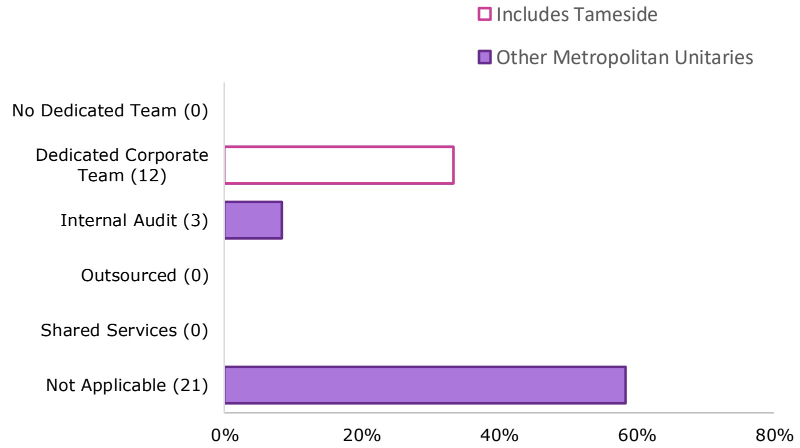
POCA Financial Investigations Resources (other than DWP)



Structure of the Counter Fraud and Corruption Function Activity

Describe your counter fraud and corruption resource

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



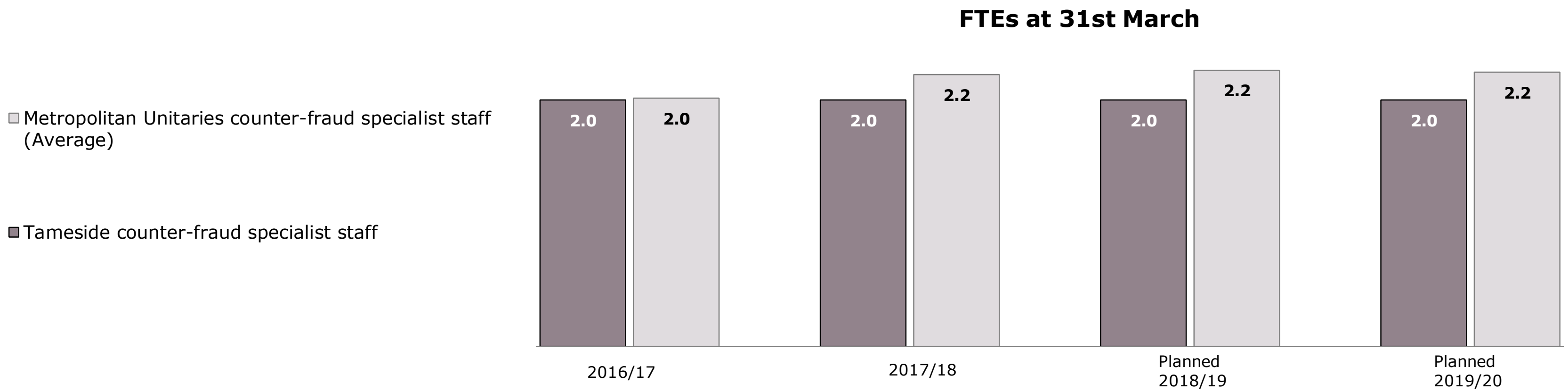
Counter fraud and corruption resources

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

The survey results show that the number of full-time equivalent (FTE) investigation staff has increased slightly in the UK since 2016/17 and across the country organisations are planning to maintain current levels in the next few years. Nationally, nine organisations have no dedicated counter fraud resource and thirteen consider it not applicable, which is an increase from 2016/17. While a dedicated counter fraud function is not essential, we recommend organisations have a fraud response plan that enables allegations of fraud to be investigated effectively by skilled and professional investigators.

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

Counter Fraud Resources

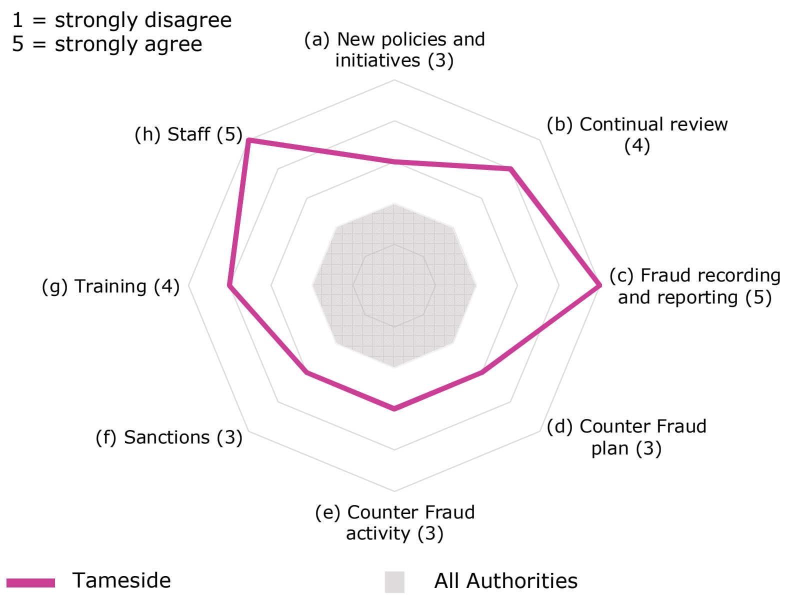


Fighting Fraud and Corruption Locally

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

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

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



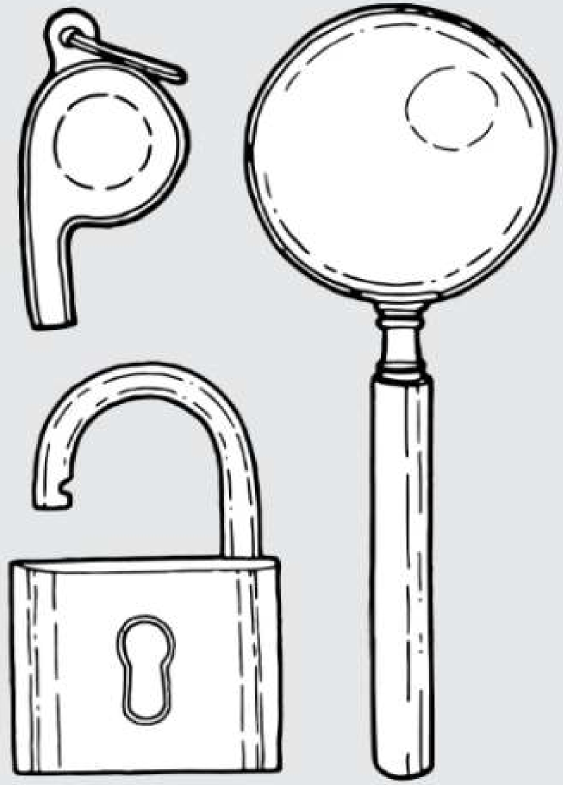
Next steps

Make sure your staff have the right knowledge and skills at:
www.cipfa.org/counterfraudevents

Sign up to receive our news and updates at:
www.cipfa.org/contactthecentre

Access the free Fighting Fraud and Corruption Locally good practice bank at: **www.cipfa.org/fightingfraudlocally**

Save money on our counter fraud qualifications and services at:
www.cipfa.org/joincounterfraud



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

Sarah Pickup,
Deputy Chief Executive, Local Government Association

The Chartered Institute of Public Finance & Accountancy

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Report to:	**AUDIT PANEL**
Date:	12 March 2019
Reporting Officer:	Kathy Roe – Director of Finance Wendy Poole – Head of Risk Management and Audit
Subject:	**RISK MANAGEMENT**
Report Summary:	To provide an update for members on Risk Management across the Strategic commission
Recommendations:	That members note the report.
Corporate Plan:	Managing risks effectively 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 the Council's objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: **(Authorised by the statutory Section 151 Officer & Chief Finance 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)**	The report demonstrates compliance with the Accounts and Audit Regulations 2015 (Amended 2016) and the Council's 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 Plan.
Background Information:	The background papers relating to this report can be inspected by contacting Wendy Poole, Head of Risk Management and Audit Services: 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 Risk Management is facilitated by the Risk Management and Audit Service under the direction of the Head of Risk Management and Audit Services. All risks are owned by the members of the Single Leadership Team, with support from Assistant Directors, managers and staff.

2. WHAT IS RISK MANAGEMENT

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

3. DRIVER FOR RISK MANAGENENT

3.1 Two of the key drivers for risk management are:-

- 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.

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

  The supporting principal states:-
  "Ensuring that an effective risk management system is in place".
  The related requirement is to:-
  "Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their **Risk Management".**

4. THE BENEFITS OF RISK MANGEMENT

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 have a negative impact on resources that could better be directed to front line service provision and to the meeting of the Council's objectives and community needs.

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

5.3 All reports presented to Decision Makers have to consider risks and the reporting templates used have a risk management comment on the front sheet which has to be completed.

6. RISK REGISTERS

6.1 A risk register is a tool for documenting risks and the actions to manage each risk and can be created at various levels within an organisation:-

- **Corporate Risks**
  Potential barriers to the Council achieving its priorities/objectives and they have the potential to disrupt several services areas.
- **Operational Risks**
  These are connected to internal resources, systems, processes and employees.
- **Project Risks**
  Relate to uncertainties that expose a project to potential failure to achieve its goals.

6.2 Each level is linked and the last thing any organisation wants is for a project to disrupt business as usual, causing financial implications which could affect other priorities/objectives.

7. RISK MANAGEMENT – THE WAY FORWARD

7.1 The Single Leadership Team has recently considered a report on risk management and the following work plan has been agreed:-

- A single corporate risk register is to be created covering the risks of the Council and the Tameside and Glossop Clinical Commissioning Group (CCG). As the format in both organisations is very different the Head of Risk Management and Audit will work with colleagues from the CCG to devise a format that meets the requirements of both organisations;

- A Risk Development Session is to be organised for the Single Leadership Team;
- Standardise the criteria for assessing Impact and Likelihood;
- Assess how to measure risk, as the CCG use two levels (Initial Impact and Controlled Impact) whereas the Council only scores the Controlled Risk;
- Review the Business/Service Planning Template to ensure it captures keys risks;
- Review the output from Business Continuity work that is underway, to highlight any significant issues that need to feed into the risk register; and
- To work with service areas to create operational risk registers to support the corporate risk register.

7.2 A further report will be presented to the next meeting of the Audit Panel.

8. RECOMMENDATION

8.1 As set out on the front of the report.