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AUDIT PANEL

Day: Tuesday
Date: 21 November 2023
Time: 2.00 pm
Place: Committee Room 1 - Tameside One

Item No.	AGENDA	Page No
1.	APOLOGIES FOR ABSENCE To receive any apologies for the meeting from Members of the Panel.	
2.	DECLARATIONS OF INTEREST To receive any declarations of interest from Members of the Panel.	
3.	MINUTES The Minutes of the meeting of the Audit Panel held on 1 August 2023 to be signed by the Chair as a correct record.	1 - 10
4.	TAMESIDE ANNUAL AUDITORS REPORT 2020/21 To receive a report of the First Deputy (Finance, Resources & Transformation) / Director of Resources.	11 - 36
5.	GMPF AUDIT COMPLETION REPORT 2021/22 (ACR) To receive a report of the First Deputy (Finance, Resource & Transformation) / Director of Resources.	37 - 74
6.	GMPF AUDIT STRATEGY MEMORANDUM 2022/23 (ASM) To receive a report of the First Deputy (Finance, Resources & Transformation) / Director of Resources.	75 - 106
7.	TREASURY MANAGEMENT MID-YEAR UPDATE To receive a report of the Director of Resources.	107 - 118
8.	INTERNAL AUDIT PROGRESS REPORT TO OCTOBER 2023 To receive a report of the Head of Assurance.	119 - 138
9.	ANNUAL GOVERNANCE STATEMENT ACTIONS FOLLOW UP To receive the attached report of the Director of Resource / Head of Assurance.	139 - 146
10.	STRATEGIC RISK MANAGEMENT UPDATE (QUARTER TWO) To receive a report of the Head of Assurance / Risk, Insurance and Information	147 - 172

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Natasha Matthews, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

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	Governance Manager.	
11.	CIPFA AUDIT COMMITTEE EFFECTIVENESS - SELF-ASSESSMENT	173 - 180
	To receive a report of the Chair of the Audit Panel.	
12.	AUDIT PANEL WORK PROGRAMME 2023/24	181 - 184
	To consider a report of the Head of Assurance.	
13.	URGENT ITEMS	
	To consider any additional items the Chair is of the opinion shall be dealt with as a matter of urgency.	
14.	DATE OF THE NEXT MEETING	
	To note that the next meeting of the Audit Panel is scheduled to take place on 1 February 2024.	

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Natasha Matthews, Senior Democratic Services Officer, to whom any apologies for absence should be notified.

Agenda Item 3.

AUDIT PANEL

1 August 2023

Commenced: 14:00

Terminated: 15:50hrs

Present:

Councillors Naylor (Chair), M Smith (Deputy Chair) and W Bray

Ian Duncan and Stuart Fair (Independent Members)

In Attendance:

Sandra Stewart	Chief Executive
Ashley Hughes	Director of Resources
Gemma McNamara	Interim Assistant Director of Finance
Paddy Dowdall	Assistant Director, Local Investment and Property
Rebecca Neill	Interim Head of Audit
Stuart Munro	Finance Manager
Karen Murray	Mazars
Daniel Watson	Mazars

Apologies for Absence: Councillors Billington, Boyle, Kitchen, Fitzpatrick and McLaren

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The minutes of the Audit Panel meeting on the 14 March 2023 were approved as a correct record.

3. AUDIT COMPLETION REPORT 2020-21

Consideration was given to a report of the external auditors Mazars, which summarised the approach, planning and findings relating to the audit of the 2020-21 Statement of Accounts for both Tameside MBC and the Greater Manchester Pension Fund (GMPF).

It was reported that Mazars had substantially completed their audit in respect of the financial statements for the year ended 31 March 2021 and it was advised that Mazars would complete their review of the financial statements upon receipt of the signed version of the accounts and letter of representation.

It was explained that draft accounts were received from the Council on 19 July 2021. Mazars advised that the initial review of the Statement of Accounts identified a number of technical and disclosure changes needed to ensure compliance with the 2020/21 Code of Practice. Mazars had reviewed the Council's accounting policies and disclosures in the revised Statement of Accounts and concluded that they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances. Mazars thanked the Finance team at Tameside for their co-operation in their response to audit queries and actions taken with findings.

Mazars explained that the Council's accounts contained material balances and disclosures relating to its holding of property, plant and equipment ("PPE") including investment properties, with the majority of property assets required to be carried at valuation. Mazars identified errors in the inputs used in the valuer's calculations. The finance team had worked with estates and the valuer to resolve the discrepancies. In addition, the work carried out by Mazars' valuations team identified differences between the land values used by the valuer and available comparable data. The Council obtained revised valuations from the valuer to rectify these issues. The Panel questioned whether the Estates

team had the resources to conduct their business and the Director of Resources assured Members that they had worked with Estates on the quality of valuations going forward.

In regards to the 2020/21 Value for Money work arrangements, Mazars' 2020/21 audit highlighted the poor quality of the draft Statement of Accounts submitted for audit with significant difficulties being encountered during the audit process which lead to delays. It was advised that Mazars had reviewed the Council's arrangements to produce its financial statements and further discussed with management. The Panel were surprised to acknowledge that the financial reporting had become a significant weakness in arrangements and questioned why this matter was not brought to the Panel's attention earlier particularly given how many sets of accounts were still open and not yet signed off. The Chair was clear that the external auditors had a duty of candour to the Panel and there was an expectation that Mazars would be explicit in highlighting weaknesses such as this going forward in order for the Panel to gain assurance or importantly, which would not be possible in relation to the further two sets of accounts still to be audited. The Panel stressed the importance in regular dialogue and updates with the Council's Finance team from Mazars to prevent delays.

An Audit Completion Report for the Greater Manchester Pension Fund for year ended 31 March 2021 was attached at Appendix 2. Mazars reported that they had substantially completed their audit and there were no matters which Mazars were aware of, that would require modification of their audit opinion.

It was reported that Mazars had reviewed the Fund's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, which were appropriately tailored to the Fund's circumstances. Draft accounts were received from the Fund on 21 June 2021 and were of a good quality. Good quality supporting working papers had been made available in a timely manner and these had assisted their audit progress.

Mazars explained that GMPF's statement of accounts formed part of the financial statements for Tameside Council, as the administering authority of the Fund. This meant they were unable to provide their opinion on the Fund's accounts until Mazars had completed their audit for the administering authority. There had been some delays in completing the audit of the administering authority which had impacted on the completion of work on the Fund.

RESOLVED

That the content of report be noted

4. AUDIT STRATEGY MEMORANDUM 2021/22

Consideration was given to a report of the Director of Resources which detailed the high level planning document by the Council's external auditors. The report set out work processes and timetables to complete the audit of the 2021-22 accounts.

Members were advised that the 2022-23 Audit Strategy Memorandum would be issued by the Council's external auditors, once they have completed the 2021-22 audit.

The Audit Partner for Mazars stated that Overall Materiality for TMBC was set at £12m. It was explained that Materiality was 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 were 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. However, the Audit Partner for Mazars highlighted after setting initial materiality, Mazars would continue to monitor materiality throughout the audit to ensure that it was set at the appropriate level.

With regard to significant risks and judgement areas, it was reported that the Council's accounts contained material balances and disclosures, which related to its holding of surplus assets and investment properties, which were required to be carried at fair value. Due to the high degree of

estimation uncertainty associated with these valuations, Mazars had determined that there was a significant risk in the valuations of these property assets. Mazars would therefore assess the skill, competence and experience of the Council's external valuer and review the instructions issued to the external valuer by management to ensure that they complied with the Code requirements. Mazars would further test a sample of items of capital expenditure which would confirm that the additions were appropriately valued in the financial statements. The Panel were assured by the Director of Resources that work had taken place with the Estates team on the valuation process for surplus and investment properties.

It was reported that management override of controls presented a risk. It was explained that management at various levels within an organisation were 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 appeared to be operating effectively. Due to the unpredictable way in which such override could occur there was a risk of material misstatement due to fraud on all audits. Audit work over accounting estimates and journal entries and significant transactions outside of the normal course of business would mitigate this risk.

It was explained that the valuation of property, plant and equipment posed a significant risk. In the 2021-22 year, the Council had not revalued Land and Buildings on the basis that a full revaluation was carried out in 2020- 21. There was a risk that material movements in valuations since the last valuation date have not been taken account of. Mazars evaluated the design and implementation of any controls which mitigated the risk which included assessing the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time.

It was stated that there were two areas of management judgement and enhanced risks these were the valuation of shareholding in Manchester Airport Holdings Ltd. The Council used an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2022. The valuation was determined according to a methodology and applying assumptions. Council officers challenged the valuation assumptions and reached judgements on the valuation to include in the financial statements. The Mazars in-house valuation team would review the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.

RESOLVED

That the content of the 2021-22 Audit Strategy Memorandum be noted.

5. UNAUDITED STATEMENT OF ACCOUNTS 2022/23

Consideration was given to a report of the Director of Resources. The report detailed the unaudited 2022/23 Statement of Accounts (SOA) that would be audited by the Council's external auditors, Mazars. The report further summarised the salient financial points arising.

It was explained that in accordance with the 2015 Accounts & Audit Regulations, the Council prepared an unaudited SOA for 31 May 2023 and this was reviewed by the Director of Resources. The SOA was not published on 31 May 2023. This was in order to await the resolution of a nationwide technical accounting issue. This technical issue was on the valuation of the Council's Local Government Pension Fund. Subsequently, the SOA was updated with a revised actuarial report, which addressed the nationwide technical issue and was published on 17 July 2023. The Chair thanked the Director of Resources for regular updates during this period. The SOA was available for the statutory public inspection period. The Council's external auditors were due to begin their audit of the SOA. The unaudited SOA were attached at Appendix 1.

The Director of Resources summarised the key points arising from the unaudited statement of accounts. It was explained that at 31 March 2023, the Council held £38.765m of capital grants which were committed for use against the current Capital Programme. Working capital was positive with

short-debtors and cash (£88.114m) higher than short-term creditors.

The unaudited Statement of Accounts included an estimate of the net balance on the Council's Local Government Pension Fund. The investments set aside to pay pension promises were currently valued in excess of the promises to pay future pensions. This meant that the carrying value of the Council's Local Government Pension Fund was shown as £0. It was reported that the Council maintained a separate fund to collect Business Rates and Council Tax, which is then redistributed to Greater Manchester Combined Authority and Tameside Council. The fund ended the 2022/23 financial year in surplus.

RESOLVED

That the completion of the unaudited 2022/23 Statement of Accounts be noted.

6. EXTERNAL AUDITOR APPOINTMENT 2023/24

Consideration was given to a report of the Director of Resources. The report updated the Panel on the outcome from the decision taken by Council in December 2022 to participate in the Public Sector Audit Appointments (PSAA) tender exercise for external audit services.

It was explained that following agreement from Council on the 7 December 2022, Tameside Council chose once more to opt in to participate in arrangements with the PSAA, for the period covering the accounts 2023/24 to 2028/29.

The PSAA competitive tender process was undertaken in Q3 of 2022/23 and following the appointment of 6 firms, a portfolio of proposed appointments was compiled, giving due consideration to a list of key criteria amongst any other relevant factors, with the principal consideration being any threat to independence/conflict of interest between the supplier and audited body. Consultation with audited bodies began on the 17 October, allowing 4 weeks for consultation, with the approval of proposed appointments confirmed at the PSAA Board meeting on the 16 December 2022.

The process concluded that for Tameside Council for the period of 2023/24 to 2027/28, the allocated auditors would be Mazars, who were the Council's current External Auditors. The Director of Resources explained that the continuity of the audit firm would support the Council as it continued to develop and strengthen processes around financial accounting. The decision would be taken by the Council as prescribed within the Council's constitution and as such, a report would be presented to Council for ratification, following Audit Panel review.

The Director of Resources summarised the fees for external audit and explained that the PSAA consulted each year on the scale of fees chargeable within the opted in arrangements. Latest PSAA information had indicated that nationally, external audit fees were running with increases of 150% on top of the set fees. This would be kept under close monitoring to determine the impact on Tameside.

RESOLVED

That the Audit Panel approve the appointment of Mazars as the Council's external auditors for the period 2023/24 to 2027/28 and recommends the decision to Council for formal approval as per the constitution.

7. ANNUAL GOVERNANCE REPORT 2022/23

Consideration was given to a report of the Director of Resources. The report presented the Annual Governance Report, which comprised of the draft Annual Review against the Code of Corporate Governance for 2022/23 and draft Annual Governance Statement for 2022/23.

It was explained that a review had been completed, which assessed the Council's position against

the approved Code of Corporate Governance in order to demonstrate compliance, ongoing developments/ improvement and to prepare for the compilation of this year's Annual Governance Statement which was required, by the Accounts and Audit Regulations 2015 (as amended). The document was attached at Appendix 1 and incorporated comments received from the Assistant Director Delivery Group and Senior Leadership Team.

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

The Annual Governance Statement covered both Tameside MBC and the Greater Manchester Pension Fund. The Draft Annual Governance Statement for 2022/23 which had been drawn up using the guidance contained within Delivering Good Governance in Local Government - Framework issued in 2016 was attached at Appendix 2 and incorporated comments received from the Senior Leadership Team.

The Annual Governance Statement was based on the below. It was highlighted that the list was not exhaustive but detailed the key elements of the assurance framework used to support the production of the Annual Governance Statement.

- Directorate Self-Assessment Checklists and signed Assurance Statements;
- Interim Head of Audit's Annual Report;
- Medium Team Financial Plan/Budget Report;
- Regular Budget Monitoring and Performance Reports;
- Review of System of Internal Audit;
- External Audit Completion Report and Annual Audit Letter;
- Role of the Chief Financial Officer;
- Role of the Head of Internal Audit;
- Financial Management Code;
- Corporate Plan: and
- Peer Reviews/Statutory Inspections.

It was explained that the Draft Annual Governance Statement would be presented to the Council's External Auditors, Mazars, as part of their audit of the Statement of Accounts.

Discussion ensued with regard to monitoring progress and tracking recommendations so that the Audit Panel could gain assurance that the Council's overall governance framework and control arrangements were continually monitored. Following discussion, it was therefore agreed that an interim update, which tracked the recommendations, would be provided for future meetings.

RESOLVED

That the report be noted and the following documents approved:

- (i) Draft Annual Review against the Code of Corporate Governance for 2022/23 at Appendix 1;**
- (ii) Draft Annual Governance Statement for 2022/23 at Appendix 2; and**
- (iii) That an interim update, which tracked the recommendations, be provided for future meetings.**

8. INTERNAL AUDIT ANNUAL REPORT 2022/23

Consideration was given to a report of the Interim Head of Audit which comprised Internal Audit's Annual Report for 2022/23 and included results for the quarter ending 31 March 2023.

It was reported that the Internal Audit plan for 2022/23 was approved by the Audit Panel on 15 March

2022 at 1,207 days. A revised plan was issued to the Audit Panel in November 2022, reducing the number of days to 855. This was largely due to vacant posts and induction / training of new auditors. At the year-end, 778 days had been delivered (91%). A change in focus to outcomes and close monitoring of progress against those outcomes (audits delivered) in the refreshed 2023/24 plan would enhance performance in 2023/24. In addition a 'root and branch' review of the service was underway, including embedding a model of 'assurance'.

A summary of the reports issued, assurance opinion and recommendations by priority issued during the period were detailed at Appendix 1. This audits which were not achieved due to capacity issues were also included at Appendix 1 for information ('greyed out').

Members were advised that on the basis of audit work completed, the opinion on the Council's framework of governance, risk management and internal control was reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by audit work. Those matters had been discussed with management and recommendations made. The recommendations had been implemented or were in the process of being addressed.

It was explained that no specific issues had been highlighted through the work undertaken by Internal Audit during the year. Internal Audit conducted Post Audit Reviews (PAR's) following each audit. A summary of PAR's undertaken in 2022/23 were detailed at Appendix 1. The process for follow up as well as reporting was being reviewed as part of the root and branch review. At the end of March 2023, from the PAR's undertaken a 90% implementation rate was noted against the target of 90%.

Discussion ensued with regards to staffing levels and it was reported that interviews had taken place for vacant posts within the service and Members highlighted the importance of development of staff to ensure stability going forward.

RESOLVED

That the report be noted.

9. REFRESHED AUDIT PLAN 2023/24

Consideration was given a report of the Interim Head of Audit 2023/24 which set out a refreshed Internal Audit Plan for 2023/24 which included both the Council and Greater Manchester Pension Fund (GMPF) Plans.

It was explained that the original 2023/24 audit plan was approved by the Audit Panel on 14 March 2023. Since then, the service had been exposed to capacity issues within its management. This therefore provided an opportunity to review the audit plans as well as arrangements within internal audit to bring them in line with the current / best practise, with measures in place to mitigate any future risk of lack of capacity within the service.

The Interim Head of Audit explained the Institute of Internal Audit's '3 Lines' model which was being introduced as the corporate and directorate risk management template. A review of all operational processes across the functions was undertaken to bring practise in line with the assurance model and best practice. The Panel were advised that the Council delivered a co-sourced arrangement comprising of a primarily in-house Internal Audit team supported by an external delivery partner for IT audit (currently delivered by Salford City Council). Extending co-sourced arrangements to a delivery partner for non ICT audit would ensure audit capacity could be brought in if necessary / as required.

It was explained that in order to deliver a plan in line with the preferred delivery model, a refreshed plan linked directly to strategic risk was required to target audit resources to the areas of most materiality and significance. The detailed audit coverage was detailed in the refreshed audit plan at Appendix 1.

It was reported that total annual audit resources available under the refreshed structure were 1,624

days (adding back the GMPF allocation). These days had been adjusted to provide for 10 months audit coverage (1 June 2023 – 31 March 2024) to accommodate the refreshed plan. Assumptions in terms of on-boarding a new Audit Manager with effect from November 2023 and that the new Head of Assurance on-boards as the Interim leaves had also been accounted for. This gave an adjusted available resource of 1,274 days which were reflected in the 10 month plan at Appendix 1.

Work had already commenced against the plan and audits were being delivered in core financial systems and schools. It was explained that moving forward, the approach to the refreshed plan should be an agile one, where Internal Audit would respond to the changing assurance need. Any changes to the plan during the year going forward would be notified for approval by the Panel in the Internal Audit progress reports.

The plan had been endorsed by senior management and would be delivered in accordance with the Council's Internal Audit Charter which was previously reported to the Audit Panel on 14 March 2023. The Interim Head of Audit summarised the audits not carried forward from the original plan approved on 14 March 2023, which were detailed in Appendix 1.

RESOLVED

That the refreshed Internal Audit Plan 2023/24, be approved.

10. RISK UPDATE REPORT JULY 2023

Consideration was given to a report of the Interim Head of Audit which presented the refreshed approach to the Council's risk management arrangements.

It was explained that in terms of risk management, it was proposed that the '3 lines model' was introduced to the strategic and directorate risk management templates, as well as other suggested enhancements, to enable the assurance model to become fully embedded.

The updated strategic risk updates was provided in Appendix 1. The strategic risk register, formerly known as the corporate risk register, had been updated to include the '3 lines of assurance'. The 3 lines of assurance against each risk are then considered as follows:

- 1st line – the day to day operations of the internal control systems to mitigate the risk
- 2nd line - management oversight and monitoring of controls in place to mitigate the risk
- 3rd line - independent assurance from internal / external audit and other assurance sources (e.g. OFSTED, CQC) on the internal controls in place to manage the risk. This source of assurance is often seen as the most valuable due to its independence.

The Interim Head of Audit summarised a number of other enhancements to the register which had been made and advised that that a refresh of risks had been undertaken via Assistant Director Delivery Group and a risk workshop held at Single Leadership Team.

The 24 'corporate risks' had been rationalised down to 12, to focus on the most material / significant risks which affect the Council's ability to achieve its corporate plan to be included. Discussion ensued in relation to the risks and scoring included within Appendix 1. The Interim Head of Audit advised that the 12 risks listed was a developing piece of work and a future workshop with SLT could be arranged to identify future risks.

Other process improvements to enable a sound system of risk management were planned for Quarters 2 and 3 which were detailed within the report. These actions would be tracked and progress would be reported in the next risk update.

RESOLVED

That the report be noted.

11. ANNUAL REPORT OF THE AUDIT PANEL

Consideration was given to a report of the Chair of the Audit Panel which presented the details of the Annual Report of the Audit Panel for 2022/23.

The Chair of the Audit Panel explained that the 2022/23 municipal year had been a year of challenge for local government in terms of the unprecedented demand on services and an extremely challenging economic environment. It was explained that the Audit Panel had been able to demonstrate that it had delivered against its terms of reference, maintained effectiveness and added value to the Council through its oversight of the systems of governance, risk management and internal control.

Members of the Panel were advised that throughout the 2023/24 municipal year, the Panel would have oversight of the embedding of a new 'assurance model' which would be best practice in integrating the disciplines of audit and risk. A new Audit Panel work plan was being introduced for 2023/24 and the Panel would also seek to further improve its own effectiveness by benchmarking itself against the latest CIPFA 2022 Position Statement for Audit Committees.

The Panel looked forward to working with two independent members in 2023/24, Ian Duncan and Stuart Fair, who were experienced within the finance sector. The Chair advised that the Audit Panel had taken significant steps this year to deliver the oversight necessary to strengthen the Council's governance and control arrangements. There would be continuing challenges facing the Council and the Panel, but the Chair explained that Panel had solid foundations on which to meet those challenges and ensure the Council's overall governance framework remained fit for purpose.

Panel members received relevant Audit Committee training during the year. In July 2022, the Panel received Audit Committee training and in September 2022, a session on the statement of account was held. For 2023/24, CIPFA would deliver a training seminar to all Panel Members scheduled for summer 2023

A table was provided to Members which summarised how the Panel addressed its terms of reference in terms of the sources of assurance received during 2022/23.

RESOLVED

That the report be approved for submission to Council.

12. AUDIT PANEL WORK PLAN 2023/24

Consideration was given to a report of the Interim Head of Audit which detailed the Audit Panel's Work Programme for 2023/24.

To assist the Audit Panel with delivering its terms of reference, officers had prepared the updated work plan for 2023/24, which set out the areas that should be considered by the Audit Panel. The work plan provided at Appendix 1 listed the items that Audit Panel would discuss for 2023/24.

RESOLVED

That the report be noted.

13. 2022/23 ANNUAL TREASURY REPORT & PRUDENTIAL INDICATORS

Consideration was given to a report of the Director of Resources which presented the Treasury Management activity for the 2022/23 financial year and the Prudential Indicators at Outturn for the 2022/23 financial year.

The Director of Resources explained that Treasury Management was a critical activity to ensure Value for Money in the use of public funds. It was concerned with safely managing the working capital of an organisation, managing its cash flows, investments, money markets and banking.

The report provided an overview of the Treasury Management activities of the organisation over the last 12 months. At year end, the total investment portfolio was £124.610m and total long term borrowing was £139m.

While the Council had taken a cautious approach to investing, it was also fully appreciative of the changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. Investment balances had been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates.

Members were advised that Tameside achieved an average investment rate of 1.7% on the average weekly investment of £139.6m. In the rapidly increasing interest rate environment, it had not been possible to achieve the SONIA benchmark, as SONIA instantly increased with the market whereas the Council's portfolio included a number of older investments at fixed rates. It was expected that as the market plateaued and the deals matured, returns would begin to exceed SONIA.

It was explained that since the start of 2022/23 financial year, no new rescheduling opportunities had been identified. The portfolio loans held by the Council were reviewed on a regular basis by both the Treasury Management Section and by the Council's treasury management advisors.

RESOLVED

- (i) That the Treasury Management activity for the 2022/23 financial year, be noted; and**
- (ii) That the Prudential Indicators at Outturn for the 2022/23 financial year, be noted.**



14. URGENT ITEMS

There were no urgent items for consideration.

CHAIR

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Agenda Item 4.

Report to:	AUDIT PANEL
Date:	21 November 2023
Executive Member/ Reporting Officer:	Cllr Jacqueline North –First Deputy (Finance, Resources & Transformation) Ashley Hughes – Director of Resources
Subject:	2020-21 AUDITOR’S ANNUAL REPORT
Report Summary:	The Auditor’s Annual Report summarises the work undertaken by External Audit as the auditor for Tameside Metropolitan Borough Council for the year ended 31 March 2021. It summarises the work undertaken and conclusions formed in respect of the annual financial statements and value for money.
Recommendations:	Members of the Audit Panel are asked to note the Auditor’s Annual Report for 2020/21.
Corporate Plan:	This links to all aspects of the Corporate Plan
Policy Implications:	There are no direct policy implications.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	There are no direct financial implications. The work of external audit provides a source of assurance to members over the financial reporting and financial position of the Council.
Legal Implications: (Authorised by the Borough Solicitor)	This is the annual report/assessment prepared by our external auditors following the audit of the financial statements/accounts and consideration of the Council’s financial resilience. It is a key tool in assessing how well the Council is performing in respect of its finance and governance.
Risk Management:	The external auditor provides an opinion on the financial statements of the Council, including the Greater Manchester Pension Fund, and an assessment of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).
Access to Information:	The report is to be considered in public.
Background Information:	The background papers relating to this report can be inspected by contacting Stuart Munro, Finance Manager.  Telephone: 0161 342 4257  e-mail: stuart.munro@tameside.gov.uk

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Auditor's Annual Report

Tameside Metropolitan Borough Council
– year ended 31 March 2021

October 2023
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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales

01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Tameside Metropolitan Borough Council ('the Council') for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



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Opinion on the financial statements

We issued our audit report on 14 August 2023. Our opinion on the financial statements was unqualified.



Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements. One significant weakness in arrangements has been identified resulting in a related recommendation.



Wider reporting responsibilities

We have received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. The Council is below the audit threshold of £2bn, therefore we are not required to complete any audit work on the Council's WGA submission.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

02

Section 02:

Audit of the financial statements

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2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 14 August 2021, gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Our Audit Completion Report, presented to the Council's Audit Panel on the 1 August 2023, provides further details of the findings of our audit of the Council's financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit.

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3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider 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 reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

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At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses. We did not identify any risks of significant weaknesses through our work on Value for Money arrangements.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. On the following page we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	12-13	Yes	No
Governance	14-17	Yes	Yes
Improving economy, efficiency and effectiveness	18-19	No	No

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3. VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>1</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 21</p>	<p>Financial sustainability The Council’s medium term strategy for the period 2019/20 to 2023/24 sets out the financial challenges it faces. A balanced budget was proposed for 2020/21 after use of reserves, and delivery of targeted savings. The budget gap for the remainder of the medium term strategy is significant with an identified deficit of £31m by 31 March 2024, and it has been identified that the level of reserves cannot sustain this position, and that pressures resulting from the pandemic have further impacted on the Council’s finances. The continuing challenges the Council faces are not new and are not unique to Tameside Metropolitan Borough Council. The challenges do, however, present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financial sustainability over the medium term. Including the ability of members and management to effectively manage the savings plans and budget position.</p> <p>Work undertaken We have reviewed:</p> <ul style="list-style-type: none"> • the arrangements the Council has in place for ensuring financial resilience; • the medium term financial plan and we have confirmed this has taken into consideration factors such as future funding sources and levels, levels of other income, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors; • the arrangements in place to monitor progress delivering the 2020/21 budget and related savings plans • reports which demonstrate how Council proposes to address the cumulative deficit over the medium term as well as reviewing the decisions and actions taken / progress made against these plans. <p>Results of the work We are satisfied the Council had appropriate arrangements in place in 2020/21 in relation to financial sustainability.</p>

3. VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>2</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 22</p>	<p>Ofsted Inspection: Children’s Services Over the past 12 months, Ofsted has issued a number of reports following focused visits to the Council and an inspection of the Council’s SEND services. Each report identified areas for improvement and areas for priority action. The SEND inspection required a Written Statement of Action from the Council and Clinical Commissioning Group because of significant areas of weakness in the area’s practice.</p> <p>These matters indicate a risk of significant weaknesses in proper arrangements.</p>

Work undertaken
 To address the identified risk we have undertaken the following work:
 Discussions with relevant Council Officers
 Review of Improvement Board meeting minutes
 Review of other relevant documents, including

- Tameside Improvement Plan
- Improvement ‘Plan on a Page’
- Improvement Plan ‘We Said, We Did’ update reports
- Children’s Services Performance and Quality Assurance Scorecard

Results of the work
 We are satisfied the Council has appropriate arrangements in place to respond to weaknesses identified during Children’s Services inspections by Ofsted.

3. VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>3</p> <p>Financial reporting Our 2020/21 audit highlighted the poor quality of the draft Statement of Accounts submitted for audit. Significant difficulties were encountered during the audit process. In particular, the Council's approach to the valuation of its Property Plant and Equipment (PPE) was inadequate. There were issues arising from both internal estates records and the valuations completed by the external valuer.</p> <p>These issues have led to a number of material adjustments to the 2020/21 financial statements and a significant delay in the issuing of the audit opinion for 2020/21 and 2021/22.</p> <p>Overall, the Council's draft accounts were wrong in respect of a number of technical issues because of a failure to properly understand and apply the requirements of the applicable financial reporting standards and the CIPFA Code of Practice.</p> <p>These matters indicate a risk of significant weaknesses in proper arrangements.</p>	<p>Work undertaken To address the identified risk we have undertaken the following work</p> <ul style="list-style-type: none"> • Reviewed the Council's arrangements to produce its financial statements; • Discussed with management how they engage with, and challenge the information provided by its experts; • Considered the number and value of technical errors and disclosure amendments required to the draft accounts; and • Drawn on conclusions from the accounts audit to determine whether these highlight any actual weaknesses in arrangements. <p>Results of the work In our view, the matters identified with respect to weaknesses in financial reporting and internal control represent a significant weakness in the Council's governance arrangements.</p>

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3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to Tameside’s operating environment in 2020/21

Tameside entered the 2020/21 financial year as the first national lockdown began and the Council immediately faced a significant operational impact to respond to the range of challenges presented by the pandemic. As part of the national response to Covid-19, central government made a series of policy announcements, a number of which directly impacted on local authorities such as Tameside. As a result the Council was at the forefront of efforts to protect local residents, including the most vulnerable, and to support local businesses.

Some of the government’s initiatives to respond to the covid-19 pandemic were supported by additional funding for the Council. Tameside received significant additional funding in the form of government grant for 2020/21. The Council received £57.6m in covid related grants during the 2020/21 financial year, £20.1m of which was carried forward as an earmarked reserve for covid related spend in future years. Government grant funding received in 2020/21 enabled the Council to provide targeted support and interventions to manage and contain infection rates and support those impacted most significantly by the pandemic.

During the early months of the pandemic the Exchequer Services team administered more than £45m in local business grants through the various Business Rate Grants to small businesses and retail businesses between April and September 2020.

2020/21 Financial performance

We have undertaken a high level analysis of the audited financial statements, including the Movement in Reserves Statement and the Balance Sheet.

The Council's balance sheet has remained relatively stable when compared to the prior year. The levels of cash and cash equivalents (£52.4m 2019/20; £50.3m 2020/21) and short-term debtors (£57.9m 2019/20; £57.9m 2020/21) have remained stable. The most significant change in the balance sheet relates to movements in the Council's share of the pension fund net liability (being a deficit position) of £372.6m, up from £279.0m in the prior year. It is not unusual to see material

movements in the net pension liability and this is consistent with our experience at other local authorities. The deficit position was also typical across the sector for the 2020/21 financial year.

The Council's usable reserves increased from £174.2m at 31 March 2020 to £206.6m at 31 March 2021. This includes an increase in General Fund & Earmarked Reserves to £177.3m (up from £146.7m the previous year). The increase is partly due to the £0.5m adjustment to transfer the Dedicated Schools Grant (DSG) deficit from the general fund to the DSG adjustment account (unusable reserve) as part of the Government’s new arrangement for a statutory override.

The Council's reserves provide some mitigation against future financial challenges. However, the Council will need to ensure that any use of reserves to smooth the financial position over the next few years is properly planned. This is because the use of reserves cannot be relied on to provide a long term solution to funding gaps.

Financial planning and monitoring arrangements

In February 2020 the Council set a balanced budget for the 2020/21 financial year. The budget for 2020/21 includes a number of budget reductions due to additional income and delivery of savings, including the full year effect of savings identified in previous years. New savings to be delivered by management of £5.1m were identified for 2020/21. Proposed savings have been subject to robust review and challenge by finance, Senior Officers and Members and this review process will continue to monitor both the delivery of savings and the identification of new savings for future years. The total savings and additional income identified in the 2020/21 budget reduces the service budgets by a total of £14.6m. Throughout the year the Council regularly updated its budget forecast, this enabled budgets to remain up-to-date in the fast-changing and uncertain operating environment of the pandemic.

.A detailed analysis of the Council's balances and reserves is carried out as part of the budget setting process and the report provided to Budget Council each February under the Local Government Act 2003 to provide assurance that the level of reserves and balances are appropriate.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria (continued)

The final outturn position on the 2020/21 budget presented a small underspend on Council Budget. The financial impacts of COVID for 2020/21 were addressed with significant one-off funding during the year.

The main area of overspend for 2020/21 was in Children’s Social Care Services. The outturn position of £3.0m over budget is an improvement on the forecasted in-year reporting but remains significantly in excess of budget. The overspend is predominantly due to the number and cost of external placements. As at the end of March the number of Cared for Children was 682, a reduction of 19 from the 701 reported in the previous month.

The Council has arrangements in place for the quarterly monitoring of all revenue and capital budgets, which are reported to the Single Leadership Team, Board and Executive Cabinet. Arrangements are also in place for the regular monitoring of Service Delivery Plans by directorates in terms of performance indicators and updates. During the year, the Council reported its financial position to Cabinet four times. We have reviewed a sample of the reports presented for 2020/21. These contain appropriate detail of the significant variances to budget and provide an update on the delivery against savings targets. They also contain appropriate information on the delivery of the approved capital programme, including explanations for both over and under spends against the budget profile.

We have considered the arrangements in place in respect of budget management as part of the Governance criteria on page 14.

Arrangements for the identification, management and monitoring of funding gaps and savings

The Medium Term Financial Plan (MTFP) is a five year plan which sets out the resources available to deliver the Council’s overall commitment to provide services that meet the needs of people locally and represent good value for money. The MTFP also assesses the adequacy of reserves and of provisions held for past events which may impact on the Council’s resources.

The MTFP is routinely refreshed throughout the year to update forecasts for known and anticipated cost pressures, savings, and funding changes. Emerging pressures are also identified through the in-

year budget monitoring process and factored into future year budget forecasts.

Arrangements and approach to 2021/22 financial planning

In February 2021, Full Council approved a budget that included £8.9m of savings to be delivered during 2021/22. The Medium Term Financial Plan assumed that a further £4.9m of savings will be delivered in 2022/23.

Progress on the delivery of proposed savings as part of the 2021/22 budget process is monitored on a monthly basis, with a proportion of schemes reviewed at different points during the year. All directorates completed an implementation template as part of their original proposal and the reporting schedule has been tailored to align with key implementation points of proposals. For those assessed to be a red or amber delivery risk this reporting provides assure to members that delivery is on track. As part of this reporting, detailed plans are reviewed by the Senior Leadership Team against the implementation section of the original savings templates.

The final outturn position on the 2021/22 budget presented a small overspend on the Council Budget of £0.1m. This overspend was funded by general reserves resulting in an overall balanced position. There remain a number of savings targets which have not been delivered in full in 2021/22, and mitigated by one-off alternatives.

Based on the above considerations we are satisfied there is not a significant weakness in the Council’s arrangements in relation to financial sustainability

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management and monitoring arrangements

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

The Internal Audit opinion for 2020/21 as reported to the Audit Panel on 27 July 2021 is that members and senior management can take "reasonable assurance" that arrangements to secure governance, risk management and internal control are suitably designed and applied effectively within those areas reviewed.

Throughout the year we have attended all Audit Panel meetings. Through attendance at these meetings, we have confirmed the committee receives regular updates on both internal audit progress and risk management in the form of risk registers. Members have an opportunity to raise any questions.

Arrangements for budget setting and budgetary control

Budget setting and the MTFP review is a 6 to 9 month process which starts in May/June each year and concludes during February, with the final full Council sign off at the February Council meeting. The Director and Assistant Director of Finance have worked with the Executive Members and the Single Leadership Team, during the budget preparation period to ensure a robust set of savings plans are in place and a clear delivery plan has been drawn up for the year ahead.

A detailed analysis of the Council's balances and reserves is carried out as part of the budget setting process. A report provided to Budget Council each February under the Local Government Act 2003 to provide assurance that the level of reserves and balances are appropriate.

Monthly budget monitoring is led by Finance Business Partners in partnership with Directorates. Financial reports are produced monthly, and regular meetings are held to discuss progress against the financial forecasts. Significant variances against budget are investigated. During the year the

Council reported its financial position to Cabinet monthly. We have reviewed a sample of the reports presented for 2020/21. These contain appropriate detail of the significant variances to budget and provide an update on the delivery against savings targets. During 2020/21 the monthly finance reports included a separate section on Covid-19 related income and expenditure for Councillors to make clear the impact Covid-19 was having on the Council's finances.

Decision making arrangements and control framework

Tameside has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Council's Code of Corporate Governance, the Governance Framework, the Constitution and scheme of delegation. Members and Officers are governed by Codes of Conduct, Cabinet Portfolios, contracts of employment, employment rules and procedures, Professional Codes of Conduct and bound by the Constitution and Code of Corporate Governance. Conflicts of interest are recorded in the minutes of all meetings, where applicable, and a register is maintained for both members and officers by the Monitoring Officer.

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is the document that describes the decision making process and establishes the legal framework in which the Council operates.

The Council has in place all relevant policies we would expect including policies on:

- Gifts and hospitality
- Declarations of interest
- Whistle blowing

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (Continued)

Audit of the 2020/21 Statement of Accounts

Draft accounts were received from the Council on 19 July 2021. However, the draft accounts were not prepared to the required standard and contained numerous technical and disclosure issues. This indicates the draft statements had not been subject to an appropriate quality control review by the Finance Team before they were made available on the Council's website for public inspection.

During the course of the audit we encountered a number of significant difficulties including:

- in obtaining information from management's expert valuer, where we experienced significant delays. This was made more challenging where the quality of the information provided was insufficient for our purpose.
- Where the Council's estates team were required to provide information on the floor and land areas of relevant assets, the information provided was not always up-to-date and contained errors.
- In 2020/21 central government provided for a statutory override to be applied to remove the deficit on the Council's Dedicated Schools Grant from the Council's usable reserves and to reclassify this in unusable reserves. This "ring-fencing" of the deficit within unusable reserves improves the Council's overall financial sustainability. Management did not apply the statutory override in the draft financial statements.

Our audit work and detailed testing identified a number of errors in the draft financial statements. This resulted in a high value of errors being reported in our Audit Completion Report to Audit Panel:

- Total unadjusted errors – 5 errors totalling c.£11m.
- Total adjusted errors – 16 errors totalling c.£105m.
- A large number of disclosure adjustments were also required.

As part of our Audit Completion Report presented to Audit Committee in August 2023 we outlined 6 internal control recommendations of which three were classed as high priority, one as medium priority and two of low priority.

The 3 high priority control recommendations were linked to the control deficiencies identified from our work:

- the floor areas used by the Council's valuer to prepare the valuations reflected in the accounts contained errors. The information used by the valuer, provided by the Council's estates team, was incorrect and did not reflect the true measurements of the assets.
- land values determined by the valuer in the calculation of some valuations were not reflective of the fair value of land in the respective areas of Tameside. This led to material discrepancies in the original valuations.
- the Council did not have formal disaster recovery provisions in place. Work was underway to commission a new Disaster Recovery facility, located at Tameside Hospital. A Corporate IT Business Continuity and Disaster Recovery plan had been prepared and was going through the internal governance process.

The significant issues identified in our 2020/21 external audit indicate a weaknesses in the Council's internal control arrangements.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (Continued)

Regulators

We have reviewed the regulatory reports issued in respect of the Council.

Care Quality Commission (CQC)

The CQC has rated both of the CQC registered services provided by Tameside Council (Tameside Learning Disability Service and Wilshaw House) as “Good”. Both services received either ‘good’ or ‘outstanding’ ratings across each of the five CQC inspection areas of: Safe; Effective; Caring; Responsive; and Well-led. Tameside Learning Disability Service was last inspected by the CQC in July 2017 and the Wilshaw House has its latest inspection in June 2018. The CQC carried out a review of both services in July 2023 which concluded the ratings did not require review at that time.

Ofsted

The most recent full inspection of Children’s Services by Ofsted was carried out between 13 May and 24 May 2019. The service was assessed as “Requires improvement to be good”, with the rating “Requires improvements to be good” over all 4 inspection areas: The impact of leaders on social work practice with children and families; The experiences and progress of children who need help and protection; The experiences and progress of children in care and care leavers and Overall effectiveness. This grading was an improvement on the Council’s previous Ofsted inspection in 2016 where the Council were graded as “Inadequate”.

During 2020/21 Children’s Services continued on their journey to implement the improvements identified by the various Ofsted Inspections, which commenced in 2016. The Council has taken a number of direct and positive steps to ensure that effective monitoring takes place regarding improvement activity and service development. Improvement remains under close review and oversight continues to be provided through regular performance reviews with lead Members, the Tameside Safeguarding Children’s Partnership and the Children’s Improvement Board and the scrutiny role provided by the Integrated Care and Wellbeing Scrutiny Panel.

During May 2021 Ofsted completed a ‘Focused Visit’ but due to Covid-19 restrictions the visit was carried out remotely. Inspectors used video calls for discussions with Council staff, carers, key stakeholders and children. They also looked at the Council’s performance management and quality assurance information and reviewed children’s case records. There was no grading given by Ofsted following this visit, however the lead inspector provided a letter setting out the findings and areas for improvement.

The May 2021 Ofsted visit findings did not indicate a decline in the performance of Children’s Services since the previous Ofsted report in May 2019. Areas for improvement were noted.

During April 2022 Ofsted undertook a further “Focused Visit” to Tameside’s Children’s Services. Inspectors looked at the Council’s arrangements for the “front door”. This inspection again did not give a rating but a letter, outlining the findings, was provided by the inspector. This letter highlighted concerns about the pace of change and improvement made. However, the letter noted the pace of change had recently increased following the appointment of a new Director of Children’s Services in early 2022. The Ofsted inspector noted that the new Director of Children’s Services had made some positive changes intended to support improvements in social work practice, staff morale and partnership working. These improvements included the move of the multi-agency safeguarding hub (MASH) to new premises, which enabled the co-location of the early help team and MASH, the development of neighbourhood teams and the reintroduction of duty and assessment teams.

In July 2022 Tameside established The Children’s Services Scrutiny Panel. This panel has responsibility to consider all matters related to Children’s Social Care and Education. The Panel is the main mechanism by which members scrutinise and monitor the planning and performance of the Council’s services to children and young people and the Council’s Corporate Parenting role, including regular reporting of the improvement plan and safeguarding partnership. To promote ‘critical friend’ challenge to the Council’s Executive specific to Ofsted improvement and to deliver statutory functions when educational matters are considered.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (Continued)

Ofsted (continued)

Part of the Panel’s work includes seeking information on the “lived experience” of children and young people in respect of the services they receive. The Panel looks to ensure there are sufficient and adequate mechanisms in place to encourage participation so that the information can inform service delivery, support wider improvement as set by the Ofsted framework, and improve practice standards.

The Panel meets at least quarterly and receives updates on Children’s Services improvements including a scorecard. A sample of the agenda papers and minutes of these Panel meetings have been reviewed. The Improvement Plan was presented to the Panel in July 2022, this Improvement Plan focusses on 7 priorities to drive improvements in line with Ofsted’s findings.

Overall we are satisfied the Council has arrangements in place to respond to the Ofsted findings, and that actions are being taken in line with the agreed improvement plans including the appointment of a new Director of Children’s Services, who Ofsted noted to have been making positive improvements, and the introduction of the Children’s Services Scrutiny Panel.

Ofsted and CQC Joint Inspection

During October 2021, Ofsted and the CQC conducted a joint inspection of the local area of Tameside to judge the effectiveness of the area in implementing the special educational needs and/or disabilities (SEND) reforms as set out in the Children and Families Act 2014. As a result of the findings of this inspection and in accordance with the Children Act 2004 (Joint Area Reviews) Regulations 2015, Her Majesty’s Chief Inspector (HMCI) has determined that a Written Statement of Action (WSOA) is required because of significant areas of weakness in the area’s practice. HMCI has also determined that the local authority and the area’s clinical commissioning group(s) (CCG) are jointly responsible for submitting the written statement to Ofsted.

Although several areas for development were noted as part of the inspection findings, the inspection also noted several strengths which were identified as showing good practice in some areas.

Although concerns were raised in the SEND Ofsted and CQC inspection, we do not regard this to be a value for money significant weakness due to the very specialised nature of this service. This reflects is being relatively small part of the Council’s overall responsibilities. We are satisfied the weaknesses identified are not indicative of wider issues in respect of the Council’s services.

We have identified a significant weakness in arrangements against the governance reporting criteria as a result of the matters arising from the 2020/21 External Audit of the Statement of Accounts.

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Performance Management

Tameside’s Corporate Plan ‘Our People – Our Place – Our Plan’ outlines the Council’s aims and aspirations for the area. The corporate plan is reflects five themes:

- Starting Well;
- Living Well;
- Ageing Well;
- Great Place; and
- Inclusive Growth.

The corporate plan is based on a relationship between public services and citizens, communities and businesses that enables shared decision making, democratic accountability and voice, genuine co-production and joint delivery of services.

A Corporate Scorecard which sets out a range of data (financial and non-financial) is reported to the senior leadership team and Council Board. Data monitored and used to drive corrective action includes: staff headcount, sickness rates (by Directorate), Freedom of Information requests, Subject Access Requests, key cost and demand drivers including temporary accommodation, numbers of care users and so on.

We reviewed the Corporate Scorecard for December 2020. This showed the position at the time compared to the outcome metrics specified in the corporate plan, along with the previously reported

position and direction of travel. This allowed Senior Leadership Team and members to see easily how services were performing and to identify trends.

Services have comprehensive performance monitoring regimes underpinning this. This is exemplified by children’s services who have a number of tools and mechanisms to monitor and manage performance including data quality booklets, a monthly scorecard setting key headline performance data, and a children’s analysis tool. They undertake deep dives into areas of concern and use all of the information to support future demand modelling.

Partnerships and Commissioning

The Council is open to considering all options to deliver services. This means it commissions from other organisations where it is appropriate, and where it can achieve the same or better outcomes at reduced cost. The Council actively seeks to commission jointly with other public service agencies where possible.

Tameside use STAR procurement for procuring services. STAR partners include Rochdale, Stockport, Tameside and Trafford Councils who govern STAR through a Joint Committee, as well as NHS Tameside & Glossop, and NHS Trafford CCGs,.

STAR and the organisations it provides services to have agreed a Responsible Procurement Strategy to reflect how they work and to place responsible, sustainable and ethical procurement at the heart of their service. The Strategy recognises the national, regional and local influences which shape procurement world and sets out how STAR will achieve their business objectives through procurement activity. The STAR Partners are fully committed to supporting Greater Manchester to achieve net carbon zero by 2038.

Based on the above considerations we are satisfied there is not a significant weakness in the Council’s arrangements for improving economy, efficiency and effectiveness

3. Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p>1 Quality of the Draft Statement of Accounts Submitted for Audit</p> <p>Our 2020/21 Audit Completion Report highlights several issues including the poor quality of the draft financial statements submitted for audit and the significant difficulties encountered during the audit process.</p> <p>The issues identified were pervasive and affected significant balances and disclosures within the draft financial statements published by the Council. This included but was not limited to Property, Plant and Equipment valuations where management failed to provide sufficient oversight and challenge of the valuations process, leading to material misstatements identified during the audit process.</p> <p>The issues arising led to a significant delay in issuing the audit opinions for both 2020/21 and 2021/22.</p> <p>In our view, the significant of the issues identified indicate a significant weakness in relation to the governance reporting criteria.</p>		●		<p>The Council should:</p> <ul style="list-style-type: none"> • Produce a detailed action plan setting out how it intends to improve the quality of the draft Statement of Accounts submitted for audit; • Improve its processes for engaging with, and challenging the information provided by valuation experts; • Review the capacity within the Council's Estates team to build resilience into the improvement of the underlying asset records held by the Council; • Consider the skills and capacity of the finance team; and • Review the issues raised as part of the 2020/21 audit in order to strengthen the overall control environment surrounding the preparation of the draft Statement of Accounts. 	

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Section 04:

Other reporting responsibilities and our fees

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4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers tailor as appropriate where powers have been used.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.

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4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Panel in July 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:.

Area of work	2019/20 fees	2020/21 fees
Actual fee in respect of our work under the Code of Audit Practice	£80,863	£80,863
<i>Fee variations:</i>		
Additional fees in respect of testing on Property, Plant & Equipment as a result of changes in regulatory expectations	£13,050	£18,750
Additional fees in respect of testing on Property, Plant & Equipment as a result of errors in draft financial statements	-	£25,000
Additional fees in respect of testing on Property, Plant & Equipment due to the Council applying the statutory override in respect of infrastructure assets	-	£10,000
Additional fees in respect of testing on Defined Benefit Pensions Schemes as a result of changes in regulatory expectations	-	£6,250
Additional fees in respect of testing arising from quality issues with the draft financial statements	-	£20,000
Additional fees in respect of testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; ISA570 (Revised) Going Concern; and ISA 600 (Revised): Specific considerations – audit of group financial statements	-	£2,500
Additional fees in respect of additional Value for Money work arising from the change in the Code of Audit Practice	-	£12,500
Additional fees in respect of additional Value for Money work arising from risks of significant weaknesses in the Council's arrangements	-	£8,000
Other additional costs	£7,150	-
Total fees	£101,063	£183,863

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

Karen Murray

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*where permitted under applicable country laws.

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Agenda Item 5.

Report to:	AUDIT PANEL
Date:	21 November 2023
Reporting Officer:	Ashley Hughes – Director of Resources
Subject:	2021-22 AUDIT COMPLETION REPORT (ACR) GMPF
Report Summary:	This report highlights the key matters arising from Mazars' external audit of the 2021/22 financial statements for the Greater Manchester Pension Fund (GMPF).
Recommendations:	To note the content of the 2021-22 Audit Completion Report.
Corporate Plan:	The report supports all the Council's Corporate Plan objectives.
Policy Implications:	The report supports the external audit of the Council's Statement of Accounts.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	The Statement of Accounts 2021/22 provides full details of the Greater Manchester Pension Fund's financial position at 31 March 2022 and its income and expenditure for the year ended 31 March 2022. The accounts are prepared in accordance with the CIPFA Code of Practice for Local Authority Accounting which is based on International Financial Reporting Standards.
Legal Implications: (Authorised by the Borough Solicitor)	The requirement to externally audit the Council's statement of accounts is set out in the Accounts and Audit (England) Regulations 2015.
Risk Management:	The external audit provides verification of the financial statements.
Access to Information:	The report is to be considered in public.
Background Information:	The background papers relating to this report can be inspected by contacting Stuart Munro, Finance Manager.  Telephone: 0161 342 4257  e-mail: stuart.munro@tameside.gov.uk

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Audit Completion Report

Greater Manchester Pension Fund – Year
ended 31 March 2022

November 2023
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01	Executive summary
02	Status of the audit
03	Audit approach
04	Significant findings
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	Appendix C: Draft consistency report
	Appendix D: Independence
	Appendix E: Other communications
	Appendix F: Audit fees

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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Pension Fund are prepared for the sole use of the Pension Fund and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Members of the Audit Panel
Greater Manchester Pension Fund,
Tameside MBC,
Tameside One,
Market Place,
Ashton under Lyne
OL6 6BH

21 November 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we issued on 29 September 2022 and formally presented to Audit Panel on 14 March 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0161 238 9248.

Yours faithfully

Signed: {{_es_:signer1:signature }}

Karen Murray

Mazars LLP

Mazars LLP
One St. Peters Square,
Manchester,
M2 3DE

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls; and
- Valuation of investments within level 3 of the fair value hierarchy.

Misstatement and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £218m.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022.

At the time of preparing this report, some matters remain outstanding as outlined in section 2. We will provide an update to you in relation to these matters in a follow up letter.



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Consistency report

We have not yet received the finalised Pension Fund Annual Report and we will complete our consistency review on receipt of the Annual Report. We will issue a report stating whether the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of Tameside Metropolitan Borough Council. Our draft consistency report is provided in Appendix C.



Wider powers

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 Fund and to consider any objection made to the accounts. We can confirm that no such correspondence from electors has been received.

02



Section 02:




Status of the audit

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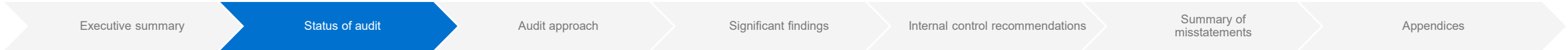
2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Annual report review		We are awaiting receipt of the finalised Annual Report in order to complete our consistency review with the financial statements.
Financial statements and letter of representation		We will complete our final review of the financial statements upon receipt of the signed version of the accounts and letter of representation.

-  Likely to result in material adjustment or significant change to disclosures within the financial statements.
-  Potential to result in material adjustment or significant change to disclosures within the financial statements.
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements.

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03

Section 03: **Audit approach**

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3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £293m using a benchmark of 1% of net assets available to pay benefits. We set a provisional specific materiality for the fund account of £90m at the planning stage of the audit using a benchmark of 10% of benefits payable.

No changes to the materiality levels set at the planning stage have been made.

Use of experts

We planned to make use of experts to assist us in obtaining sufficient and appropriate audit evidence. There were no changes to the planned approach as outlined in the ASM.

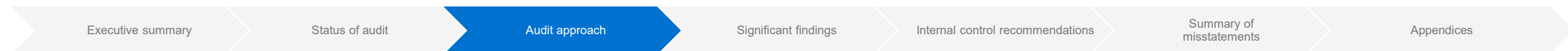
Item of account	Management's expert	Our expert
Disclosures on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO Consulting Actuary: PwC
Valuation of Investment Property	Savills	Mazars Property Valuation expert

Service organisations

Our planned approach to the Fund's use of service organisations involved carrying out substantive procedures on the transactions, account balances and disclosures relevant to these service organisations.

There were no changes to the planned approach as outlined in the ASM.

Items of account	Service organisation	Audit approach
Quoted investment valuations	Investment Fund managers and Custodian	Substantive procedures
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



04

Section 04: **Significant findings**

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4. Significant findings

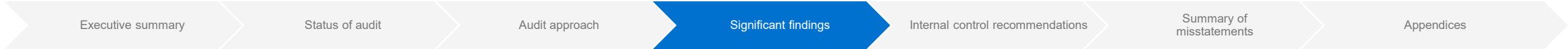
In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 14 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

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Significant risks

Management override of controls	Description of the risk
	In all entities, 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	<p>Audit conclusion</p> <p>We have completed our work on the Pension Fund's journals and accounting estimates and there are no matters to bring to Members' attention.</p> <p>We have not to date identified any significant transactions outside the normal course of business during our audit.</p>



4. Significant findings

Valuation of investments within level 3 of the fair value hierarchy

Description of the risk

As at 31 March 2022, the fair value of investments within level 3 of the fair value hierarchy was £6.6bn, which accounted for approximately 25 per cent of net investment assets. Level 3 assets are those assets whose value is based on unobservable inputs, and consequently the estimation uncertainty for these assets is more significant than for assets valued at level 1 and 2.

How we addressed this risk

Our audit procedures included:

- Obtaining an understanding of the skills, experience and qualifications of the external valuers used by the Pension Fund, and considering the appropriateness of the Pension Fund's instructions to those valuers.
- Obtaining an understanding of the basis of valuation applied in the year.
- Agreeing the valuation of a sample of investments to supporting documentation including custodian records, investment fund manager valuation statements and cash flow adjustments.
- Agreeing the valuation of a sample of investments to unqualified audited accounts or other independent supporting documentation, where relevant.
- Obtaining and inspecting service organisation control reports from Fund Managers.
- Obtaining assurance from our Mazars property valuation expert on the appropriateness of the methodology and assumptions adopted by the Pension Fund's investment property valuer.
- Sample testing the completeness and accuracy of underlying investment property data used by the valuer as part of their valuations.

Although not directly related to the identified significant risk, we also reviewed the Fund's classification of assets in the fair value hierarchy.

Audit conclusion

Our work identified misstatements caused by more up to date information being available after the Pension Fund produce their draft financial statements. As these errors were identified from a sample test, applying our audit approach, we have extrapolated the errors over the remaining untested population to establish the potential misstatement. This extrapolated misstatement is £215m, and the Fund have not adjusted for this misstatement on the basis of immateriality. This is reported in section 6.

4. Significant findings

Qualitative aspects of the Fund’s accounting practices

We have reviewed the Fund’s accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund’s circumstances.

Draft accounts were received from the Fund on 19 August 2022 and were of a good quality. Good quality supporting working papers have been made available in a timely manner and these have assisted our audit progress. Pension Fund officers have been helpful in promptly answering our detailed audit queries.

Significant matters discussed with management

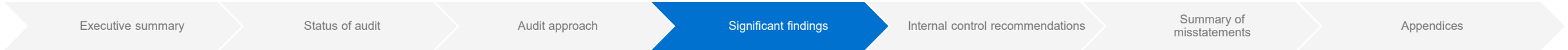
There were no significant matters discussed with management other than those related to the significant risks and audit mis-statements reported elsewhere in this report.

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management.

The Greater Manchester Pension Fund statement of accounts form a part of the financial statements for Tameside Council, as the administering authority of the Fund. This means we are unable to provide our opinion on the Fund’s accounts until we have also completed our audit for the administering authority. There have been some delays in completing the audit of the administering authority which have an impact on the completion of our work on the Fund.

The Pension Fund’s financial statements should reflect the best available information. The delay in completion of our work on the Fund resulted in additional information becoming available in the period between preparation of the draft accounts and the date of signing the accounts. This additional information included the valuations of specific pooled investment vehicles categorised at level 3 in the fair value hierarchy. Where audit queries arose from the additional information, we had the full co-operation of management in dealing with these queries.



4. Significant findings

Wider responsibilities

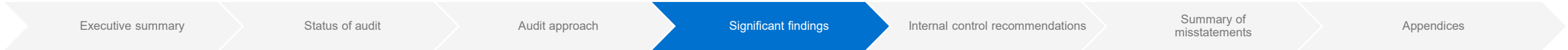
Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2021/22 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

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05

Section 05: **Internal control recommendations**

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5. Internal control recommendations

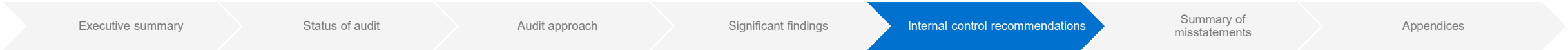
The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	3
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

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5. Internal control recommendations

Other deficiencies in internal control – Level 2

Description of deficiency

The Code requires investments properties to be valued at fair value at the year end. At GMPF, investment properties are accounted for with a valuation date of 31 December, updated for any known transactions. The Fund did not undertake an assessment at the year end, to consider whether there was a movement in the fair value between the valuation date of 31 December and the year end.

Potential effects

The balance on investment properties may be materially misstated by not reporting the fair value at the year end.

Recommendation

Carry out an assessment of the movement in the fair value of investment properties between 31 December and the year end and update the carrying value if the movement is material.

Management response

Whilst no formal valuation of investment properties is undertaken at 31 March, the Assistant Executive Director and Investment Property team do perform an informal review that considers any known changes relating to specific properties and in the property rental markets and wider macro environment at 31 March.

If these changes are considered to be potentially material than a new formal valuation is requested, the last time this occurred was 31 March 2020.

In order to assist future audits we will document the outcome of any informal reviews undertaken.

Description of deficiency

Our audit procedures identified one bank account of value £3.6m was not reconciled to the trial balance at the year end.

Potential effects

Financial information produced by the Pension Fund does not include all cash balances attributed to the Pension Fund and could result in missing transactions being recorded in the ledger, or transactions being recorded in the incorrect accounting period.

Recommendation

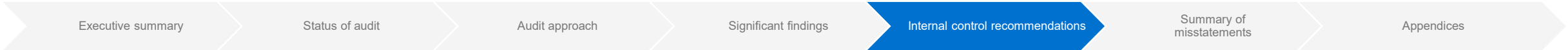
Ensure that the Fund reconcile all bank accounts to the trial balance every month.

Management response

This instance occurred where cash had been transferred from one GMPF bank account to another GMPF bank account to cover expected payments due on 1st April. The unaccounted cash of £3.6 million was sat in this bank account for just 24 hours.

All bank accounts are now reconciled with full year end working papers available for audit to review.

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5. Internal control recommendations

Other deficiencies in internal control – Level 2

Description of deficiency

Our audit procedures on the General Ledger system, Agresso, identified that the Fund has no formalised policy/procedure supporting the change management process.

Potential effects

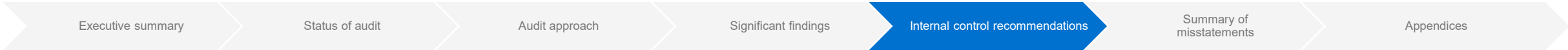
Unauthorised changes could be deployed, compromising the confidentiality, integrity and availability of information. Information relating to software development, authorisations for deployment, and test plans and results may not be documented sufficiently.

Recommendation

We recommend the Pension Fund formally document the change management process. The procedure/policy should clearly describe how change requests are registered, classified, analysed, solved and monitored. The document should be formally approved by the relevant senior officers, acknowledged by all relevant staff and periodically reviewed.

Management response

The Agresso system is managed and administered by Tameside MBC on behalf of GMPF. Tameside MBC are in the process of developing a full IT change management policy that will incorporate the Agresso system. GMPF will discuss the recommendations above with Tameside MBC and once the policy is finalised we will share with Mazars.



06

Section 06:

Summary of misstatements

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6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £8.79m. This table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust. There are no adjusted misstatements to report.

The disclosure amendments on the following page outlines the amendments that have been made by management during the course of the audit.

Unadjusted misstatements

		Fund Account		Net Assets Statement	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Pooled investment vehicles			214,840	
	Cr: Profit and losses on disposal of investments and changes in value of investments		214,840		
	In order to produce the draft accounts by the required timetable the Pension Fund use the most up to date valuation for the investment assets. Subsequently, and during the audit more up-to-date information is available of the valuation of the assets at 31 March 2022. This more up to date information identified an understatement in the value of the investments of £127m. Because this error was identified in our sample testing, we must extrapolate this error over the untested population of these assets. The total extrapolated understatement is £215m.				
2	Dr: Cash and deposits			3,585	
	Cr: Liabilities				3,585
	To include the payroll bank account within the cash and deposits balance.				
Total unadjusted misstatements		0	214,840	218,425	3,585
Net impact			214,840	214,840	

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Executive summary

Status of audit

Audit approach

Significant findings

Internal control recommendations

Summary of misstatements

Appendices

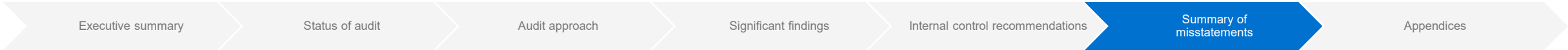
6. Summary of misstatements

Disclosure amendments

The following amendments have been made to the disclosure in the accounts:

- **Fund Account** : Changes made to the presentation of Return on Investments to merge the gain / loss on foreign currency within Profit and losses on disposal of investments and changes in value of investments to reflect the requirements of the Code.
- **Net Asset Statement** : Changes made to the presentation of asset categories to reflect the requirements of the Code. Subsequently this affected the supporting note disclosures within Note 3 Classification of financial instruments, Note 11b Bonds, Note 11e Pooled investment vehicles and Note 11f Insurance policies.
- **Note 1b The Management and Membership of the Greater Manchester Pension Fund** : Corrected the for the amendment to the membership figures disclosed as at the year end.
- **Note 3 Classification of financial instruments** : Changes made to the wording of the note to reflect the requirements of the Code and Financial Reporting Standards.
- **Note 5 Contributions** : Correction made to reclassify amounts within the “By Authority” disclosures to reflect the requirements of the Code.
- **Note 6 Benefits payable** : Correction made to reclassify amounts within the “By Authority” disclosures to reflect the requirements of the Code.
- **Note 11** : Amendments made to the disclosures to improve the readability of categories of investment assets.
- **Note 24 AVC Investments** : Disclosure updated for the current financial year following the provision of relevant information from the AVC provider Prudential to comply with the requirements of the Code.
- **Note 25 Actuarial present value of promised retirement benefits** : A correction was made to the disclosure of the financial assumptions used in calculating the present value of the Fund’s promised future retirement benefits to reflect the contents of the Actuary’s report. An additional correction was made to the disclosure of the sensitivity analysis to reflect the contents of the Actuary’s report.

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Appendices

A: Draft management representation letter

B: Draft audit report

C: Draft consistency report

D: Independence

E: Other communications

F: Audit fees

Appendix A: Draft management representation letter

To be provided to us on client headed note paper

[Date]

Dear Karen

Greater Manchester Pension Fund - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Greater Manchester Pension Fund ('the Pension Fund') administered by Tameside Metropolitan Borough Council ('the Council') for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund and the Council you determined it was necessary to contact in order to obtain audit evidence.

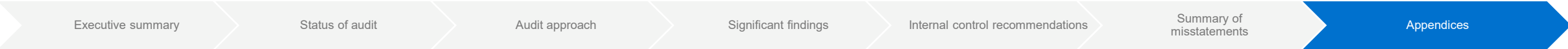
I confirm as Director of Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all relevant Pension Fund and Council Panel meetings, have been made available to you.

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Appendix A: Draft management representation letter (continued)

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used in making the accounting estimates are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no undisclosed contingent gains which should be disclosed.

No material matters, including unasserted claims, that may result in litigation against the Pension Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

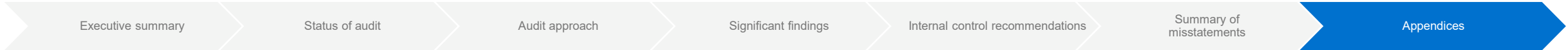
I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

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Appendix A: Draft management representation letter (continued)

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund’s financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Pension Fund’s related parties and all related party relationships and transactions of which I am aware.

Charges on assets

I confirm that all assets held are free from liens, charges or any other encumbrance.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

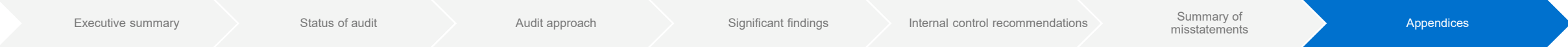
Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Other matters

- I confirm that the Fund has carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Fund, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.
- I confirm that the Fund has carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Fund, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.



Appendix A: Draft management representation letter (continued)

- I confirm that the Fund has carried out an assessment of the potential impact on the Fund of the on-going global banking challenges, in particular whether there is any impact on the Fund's ability to continue as a going concern and on the post balance sheet events disclosures. In this regard I confirm that our exposure with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation is not material.

Going concern

To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Specific representation of level 3 investments

Level 3 investments are included in the net assets statement at the value provided by our fund managers which have been estimated in accordance with the guidelines used by the industry and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, that the valuations are materially correct, and am not aware of any subsequent events that would have a material impact on the estimated value of the level 3 investments.

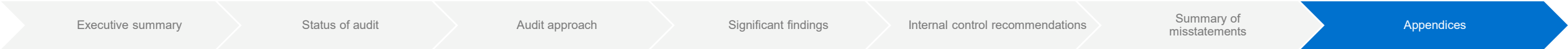
Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually, and in aggregate to the financial statements as a whole. All uncorrected misstatements are included in the Appendix to this letter.

Yours faithfully

Ashley Hughes
Director of Resources

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Appendix B: Draft audit report

Independent auditor's report to the members of Tameside Metropolitan Borough Council

Report on the audit of the financial statements

Opinion on the financial statements of Greater Manchester Pension Fund

We have audited the financial statements of Greater Manchester Pension Fund ('the Pension Fund') for the year ended 31 March 2022, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Resources with respect to going concern are described in the relevant sections of this report.

Other information

The Director of Resources is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Executive summary

Status of audit

Audit approach

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misstatements

Appendices

Appendix B: Draft audit report (continued)

Responsibilities of the Director of Resources for the financial statements

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Director of Resources is also responsible for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Resources is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Director of Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Panel the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Panel on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

Executive summary

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Appendices

Appendix B: Draft audit report (continued)

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Panel. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

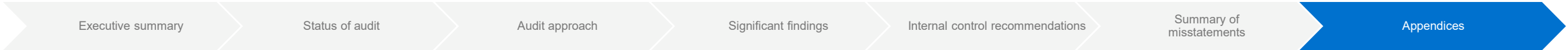
Page 07 Basis of the audit report

This report is made solely to the members of Tameside Metropolitan Borough Council, as a body and as administering authority for the Greater Manchester Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Karen Murray
Key Audit Partner
For and on behalf of Mazars LLP

Date TBC



Appendix C: Draft consistency report

Independent auditor’s statement to the members of Tameside Metropolitan Borough Council on the pension fund financial statements included within the Greater Manchester Pension Fund annual report

Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2022 included within the Greater Manchester Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of Tameside Metropolitan Borough Council for the year ended 31 March 2022 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Respective responsibilities of the Director of Resources and the auditor

As explained more fully in the Statement of the Director of Resources’ Responsibilities, the Director of Resources is responsible for the preparation of the Pension Fund’s financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of Tameside Metropolitan Borough Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of Tameside Metropolitan Borough Council.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of Tameside Metropolitan Borough Council describes the basis of our opinions on the financial statements.

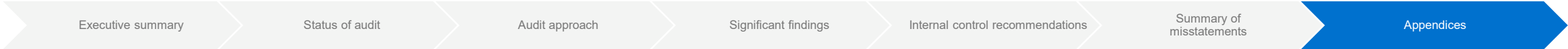
Scope of this auditor’s statement

This report is made solely to the members of Tameside Metropolitan Borough Council, as a body and as administering authority for the Greater Manchester Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Tameside Metropolitan Borough Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Tameside Metropolitan Borough Council and Tameside Metropolitan Borough Council’s members as a body, for our audit work, for this statement, or for the opinions we have formed.

[Signature]

Karen Murray
Key Audit Partner
for and on behalf of Mazars LLP

Date TBC

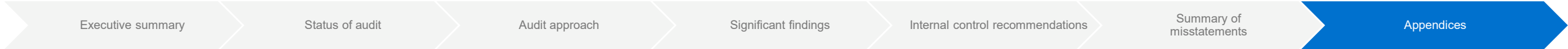


Appendix D: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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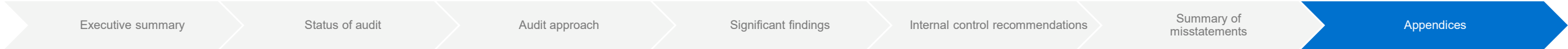
Appendix E: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with management that Greater Manchester Pension Fund will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p>

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Appendix E: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p>Matters related to fraud</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 71</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Audit Panel, confirming that</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.



Appendix F: Audit fees

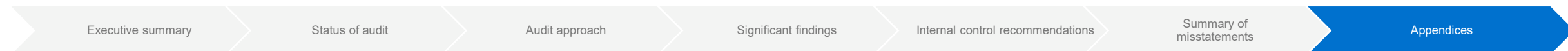
Fees for work as the Pension Fund's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as follows. All additional fees are subject to agreement by Public Sector Audit Appointments Ltd.

Area of work	2020/21 fees	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£43,383	£43,383
Recurrent scope changes: Additional testing on Investment Assets as a result of changes in regulatory expectations	-	£12,500
In year additional work: engaging an auditor's valuation expert in respect of Investment Property valuations	-	£9,000
In year additional work: work for other PSAA / NAO auditors including additional work on the triennial valuation data *	£26,100	£36,000
Total fees	£69,483	£100,883

* Our fees for this work are £2,000 per employer whose auditor requested additional work. The relevant employers are:

- | | | |
|-------------------------|---|---------------------------------|
| Bolton Council | Trafford Council | HM Prison and Probation Service |
| Bury Council | Wigan Council | Science Museum Group |
| Manchester City Council | Greater Manchester Combined Authority | |
| Oldham Council | Greater Manchester Police | |
| Rochdale Council | Transport for Greater Manchester | |
| Salford Council | Transport for the North | |
| Stockport Council | Northern Care Alliance NHS Foundation Trust | |
| Tameside Council | Care Quality Commission | |



Contact

Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

www.mazars.com

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Agenda Item 6.

Report to:	AUDIT PANEL
Date:	21 November 2023
Reporting Officer:	Ashley Hughes – Director of Resources
Subject:	2022-23 AUDIT STRATEGY MEMORANDUM (ASM) GMPF
Report Summary:	The 2022-23 Audit Strategy Memorandum is a high level planning document by the Pension Fund's external auditors, setting out work processes and timetables to complete the audit of the 2022-23 accounts.
Recommendations:	To note the content of the 2022-23 Audit Strategy Memorandum
Corporate Plan:	The report supports the Council's Corporate Plan objectives.
Policy Implications:	The report supports the external audit of the Council's Statement of Accounts
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	An audited statement of accounts gives assurance on the Pension Fund's finances.
Legal Implications: (Authorised by the Borough Solicitor)	The requirement to externally audit the Council's statement of accounts is set out in the Accounts and Audit (England) Regulations 2015.
Risk Management:	The external audit provides verification of the financial statements.
Access to Information:	The report is to be considered in public.
Background Information:	The background papers relating to this report can be inspected by contacting Stuart Munro, Finance Manager.  Telephone: 0161 342 4257  e-mail: stuart.munro@tameside.gov.uk

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Audit Strategy Memorandum

Greater Manchester Pension Fund

Page 77
Year ending 31 March 2023



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- 01** Engagement and responsibilities summary
- 02** Your audit engagement team
- 03** Audit scope, approach and timeline
- 04** Significant risks and other key judgement areas
- 05** Fees for audit and other services
- 06** Our commitment to independence
- 07** Materiality and misstatements
- A** Appendix A – Key communication points
- B** Appendix B – Revised auditing standard on identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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This document is to be regarded as confidential to Greater Manchester Pension Fund. It has been prepared for the sole use of the Audit Panel as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Members of the Audit Panel
Greater Manchester Pension Fund,
Guardsman Tony Downes House,
Manchester Road,
Droylsden,
M43 6SF

Mazars LLP
One St. Peters Square
Manchester
M2 3DE

15 September 2023

Dear Members of the Audit Panel

Audit Strategy Memorandum – Year ending 31 March 2023

We are pleased to present our Audit Strategy Memorandum for Greater Manchester Pension Fund for the year ending 31 March 2023. 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. In Section 6 of this document we also summarise 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 Greater Manchester Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains appendices that outline our key communications with you during the course of the audit, and explain the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

Client service is extremely important to us and we strive to 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 07977 261873.

Yours faithfully



Suresh Patel, Mazars LLP

01

Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Greater Manchester Pension Fund (the Pension Fund) for the year to 31 March 2023. 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/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. 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.

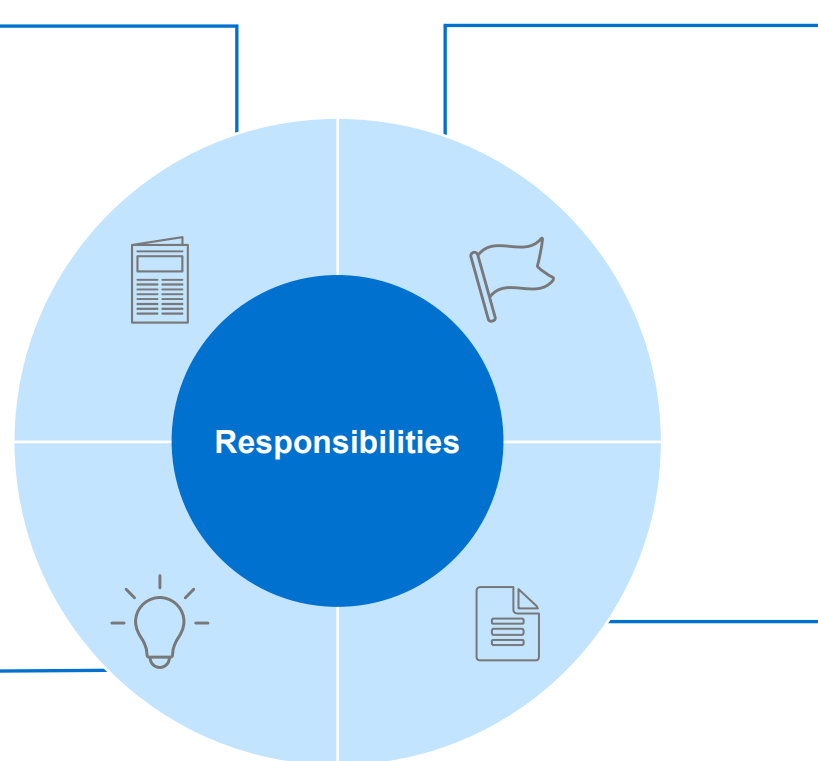
Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit Panel, as those charged with governance, of their responsibilities.

The Director of Finance is responsible for the assessment of whether it is appropriate for the Pension Fund to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements.

Consistency Statement

We are responsible for forming and expressing an opinion on the consistency of the financial statements within the Pension Fund's annual report and the Pension Fund's financial statements included in the Statement of Accounts of Tameside Metropolitan Borough Council.



Fraud

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. This includes establishing and maintaining internal controls over reliability of financial reporting.

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

Wider reporting and 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. This would include an objection made to the accounts of the Pension 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.



02

Section 02:

Your audit engagement team

2. Your audit engagement team

We have made changes to your audit engagement team. Suresh Patel is now your engagement lead and brings with him 30 years experience of auditing local government pension funds. In addition to GMPF, he is also the auditor of 4 London Borough Pension Funds. In addition, Amelia Salford is your new audit manager and she brings experience of auditing local authorities in the Greater Manchester area.



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Audit Partner

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Ian Gilroy
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In addition, in light of GMPF's size, we have appointed an engagement quality control reviewer for this engagement.



03

Section 03:

Audit scope, approach and timeline

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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 activities which we consider to have a higher risk of material misstatement, such as those impacted 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 risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to the risks identified.

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 on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

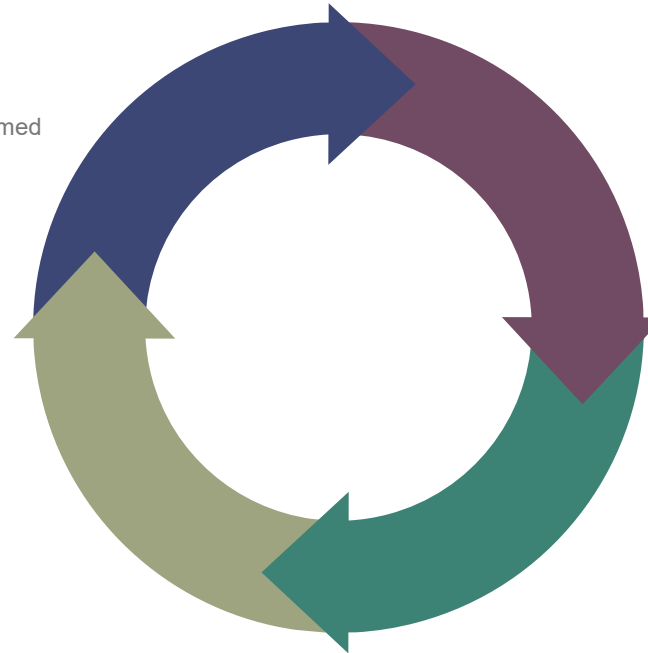
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Planning and Risk Assessment – April 2023

- Developing our understanding of the Pension Fund
- Initial opinion assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

Completion – October to November 2023

- Final review and disclosure checklist of financial statements
- Final partner and EQCR review
- Agreeing content of letter of representation
- Reporting to the Audit Panel (to the November 2023 Panel)
- Reviewing subsequent events
- Signing the independent auditor’s reports (subject to when the 2022/23 Tameside auditor’s report will be issued)



Fieldwork – July to October 2023

- Documenting systems and controls
- Performing walkthroughs
- Reassessment of audit plan and revision if necessary
- Tests of IT general controls
- Receiving and reviewing draft financial statements
- Technical review of financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

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.

Management’s and our experts

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

Item of account	Management’s expert	Our expert
Disclosure 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 Custodian	Internal Mazars Property Valuation team

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Pension 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 Pension Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
Quoted investment valuations	Custodian	Substantive procedures and review of the Custodian’s ISAE3402 report
Unquoted investment valuations and related disclosures	Custodian	Substantive procedures and review of the Custodian’s ISAE3402 report
Stock lending including information used for the stock lending disclosure note	Custodian	Substantive procedures and review of the Custodian’s ISAE3402 report



04

Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

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

Significant risk

Significant risks are those risks assessed as being close to the upper end of the spectrum of inherent risk, based on the combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. Fraud risks are always assessed as significant risks as required by auditing standards, including management override of controls.

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 require additional consideration but does not rise to the level of a significant risk, these include 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.

Summary risk assessment

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



4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. 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	Fraud	Error	Judgement	Planned response
1 Page 90	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>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.</p>	●	○	○	<p>We plan to address the management override of controls risk through performing audit work over:</p> <ul style="list-style-type: none"> • Material accounting estimates; • A sample of journal entries that meet our risk criteria; and • significant transactions outside the normal course of business or otherwise unusual.



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
Page 91	<p>2 Valuation of investments within level 3 of the fair value hierarchy 2022/23: £8.7bn (2021/22: £7.6bn)</p> <p>As at 31 March 2023, the value of these investments accounted for approximately 30 per cent of net investment assets. Level 3 assets are those assets whose value is based on unobservable inputs, and consequently the estimation uncertainty for these assets is more significant than for assets valued at level 1 and 2.</p>	○	●	●	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the skills, experience and qualifications of any external valuers used by the Pension Fund, and considering the appropriateness of the Pension Fund’s instructions to those valuers. • Obtaining an understanding of the basis of valuation applied in the year. • Agreeing the valuation of a sample of investments to supporting documentation including investment manager valuation statements and cash flow adjustments; • Agreeing the valuation of a sample of investments to audited financial statements or other independent supporting documentation; • Obtaining assurance from our Mazars property valuation expert on the appropriateness of the methodology and assumptions adopted by the Pension Fund’s investment property valuer; and • Sample testing the completeness and accuracy of underlying investment property data used by the valuer as part of their valuations.

Other key areas of management judgement and enhanced risks

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. Other than those reflected in the table above we have not identified any such judgements, and we have not identified any enhanced risks.



05

Section 05:

Fees for audit and other services

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6. Fees for audit and other services

Fees for work as the Pension Fund's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter.

Area of work	2022/23 Proposed Fee	2021/22 Proposed Fee
Scale fee – code work	£45,639*	£43,383
Additional fees in respect of:		
- Level 3 investments testing & using an auditor's expert	£10,000-15,000	£9,000
- Increased regulatory requirements	£2,000-5,000	£12,500
- ISA 315 revised	£4,000-8,000	n/a

* The fee is an uplift from the 2021/22 scale fee by £2,256. This uplift is funded by a contribution from PSAA.

Fees for pension assurance

The fee for Code Audit Work does not include fees chargeable to the Fund for pension fund work undertaken at the request of employer auditors for the year ended 31 March 2023. The total fees chargeable for this work for 2021/22 are expected to be between £30,000 - £40,000. The final fee will be agreed on completion of the 2021/22 audit.

Our fees for this work in 2022/23 are still to be agreed but are likely to be between £30,000 - £40,000. It is expected that the Fund will recharge these fees to the relevant employers. This approach is in line with the PSAA Terms of Appointment and the expectation within NAO's AGN01 General Guidance Supporting Local Audit.

Fees for non-PSAA work

We have not been engaged by the Pension Fund to carry out any additional work separate from our delivery of the NAO Code of Practice audit work. Before agreeing to undertake any additional work, we will 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 6.



06

Section 06:

Our commitment to independence

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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 FRC'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; and
- 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 Suresh Patel in the first instance.

Prior to the provision of any non-audit services, Suresh 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.

Page 05



07

Section 07: **Materiality and misstatements**

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8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £m
Overall materiality	294.0
Performance materiality	235.2
Specific materiality: Fund Account	95.0
Performance materiality: Fund Account	76.0
Trial threshold for errors to be reported to the Audit Panel	8.8

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Information is considered to be material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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.



8. Materiality and misstatements

Materiality (continued)

Our provisional materiality is set based on a benchmark of net assets of the scheme available to pay benefits. 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 Panel.

We consider that the net assets of the scheme available to pay benefits 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 of the scheme available to pay benefits. Based on the level of net assets of the scheme available to pay benefits as reported in the draft accounts, we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £94m (£293m in the prior year).

Our provisional specific materiality for the fund account is set based on a benchmark of benefits payable. We expect to set a materiality threshold at 10% of benefits payable. Based on benefits payable as reported in the draft accounts, we anticipate the fund account specific materiality for the year ending 31 March 2023 to be in the region of £95m (£90m in the prior year).

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 80% of overall materiality as performance materiality.

Misstatements

We accumulate 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 £8.8m based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Suresh Patel.

Reporting to the Audit Panel

The following three types of audit differences above the trivial threshold 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).





Appendices

A: Key communication points

B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

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Appendix A: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum; and
- Audit Completion Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The 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; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- 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	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
<p>With respect to misstatements:</p> <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
<p>With respect to fraud communications:</p> <ul style="list-style-type: none"> • enquiries of the Audit Panel to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Audit Panel, Audit planning and clearance meetings



Appendix A: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Panel in the context of fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

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Appendix A: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Panel into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Panel may be aware of.	Audit Completion Report and the Audit Panel meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Pension Fund's 2022/23 audit.

The most significant changes relevant to the Pension Fund's audit are outlined below.

Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment

procedures which means documentation and evidence requirements are also enhanced.

Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.

Implications for the audit

Based on our experience of applying the revised auditing standard to our NHS audits earlier this year, we will spend more auditor time and need more time from the Fund's staff to document an understanding of the key business processes that support the financial statements.



Contact

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Agenda Item 7.

Report to:	Senior Leadership Team
Date:	Tuesday, 14 November 2023
Reporting Officer:	Ashley Hughes – Director of Resources
Subject:	Treasury Management Mid-Year Update
Report Summary:	<p>This report provides a mid-year review of the Council's Treasury Management activities for 2023/24.</p> <p>Treasury Management is a critical activity to ensure Value for Money in the use of public funds. It is concerned with safely managing the working capital of an organisation, managing its cash flows, investments, money markets and banking.</p> <p>It ensures that public funds work for us, and are safely maximised, without undertaking high-risk investments. It is unrelated to the Revenue Budget of the Council.</p> <p>This report provides an overview of the Treasury Management activities of the organisation over the first 6 months of the year. At 30 September, the total investment balance was £139.550m and total long term borrowing was £139.269m.</p> <p>The current strategy is designed to ensure that borrowing costs are kept low over the longer term, rather than subject to volatility that a high risk strategy might deliver. Where investments are involved, the policy is to ensure the security of the asset rather than pursue the highest returns available.</p> <p>The Council has been able to take advantage of rising interest rates in year and interest earned on day-to-day investments is forecast to be £5.309m against a budget of £2.685m, an over performance of £2.624m. This additional investment income can now be invested in Council activities.</p>
Recommendations:	That the Treasury Management activity and performance is noted.
Corporate Plan:	The Treasury Management function of the Council underpins the ability to deliver the Council's priorities.
Policy Implications:	In line with Council Policies.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	<p>The achievement of savings on the cost of financing the Council's debt through repayment, conversion and rescheduling, together with interest earned by investing short term cash surpluses, is a crucial part of the Council's medium term financial strategy. This has to be carefully balanced against the level of risk incurred.</p> <p>The Council held £139.550m of investments as at 30 September 2023 and for the first 6 months of the year earned interest of £3.007m. The Council is projecting that, by the end of financial year, this will have increased to £5.309m, significantly greater than budget.</p>
Legal Implications: (Authorised by the Borough Solicitor)	<p>There is a statutory duty for the Council deliver a balanced budget and sound treasury management is a key tool in managing this.</p> <p>Demonstration of sound treasury management will in turn provide confidence to the Council that it is complying with its fiduciary duty</p>

to the public purse, and in turn allows the Council to better plan and fulfil its key priorities for the coming year.

Members should ensure that they take the opportunity when considering this report to ensure that they are content with all of the analysis set out in the main body of the report.

Risk Management:

Failure to properly manage and monitor the Council's loans and investments could lead to service failure and loss of public confidence.

Background Information:

The background papers relating to this report can be inspected by contacting Gemma McNamara, Interim Assistant Director of Finance (Deputy 151 Officer):

 e-mail: gemma.mncamara@tameside.gov.uk

1. INTRODUCTION

- 1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.
- 1.2. This report provides an additional update and includes the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators.
- 1.3. The Treasury Management Strategy for 2023/24 was approved by Council on 28 February 2023. The Council has substantial levels of both investments and borrowing, and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

2. EXTERNAL CONTEXT

- 2.1. The following economic update is provided by the Council's advisors, Arlingclose:
Economic background: *UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.*

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the authority's treasury adviser,

modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightening cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

Financial markets: *Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.*

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

Credit review: *Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.*

During the second quarter of the period, Moody's revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt

ceiling concerns but also an expected fiscal deterioration over the next couple of years.

Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

3. LOCAL CONTEXT

- 3.1. On 31 March 2023, the Council had investments of £124.610m and borrowing of £139.471m. The treasury management position at 30 September and the change over the year to date is shown in Table 1 below.

Table 1: Treasury Management Summary

	31.3.23 Balance £m	Movement £m	30.9.23 Balance £m
Long-term borrowing			
- PWLB	99.227	(0.202)	99.025
- Market Loans	40.000	-	40,000
- Other	0.244	-	0.244
Total borrowing	139.471	(0.202)	139.269
Long-term investments	-	-	-
Short-term investments	100.700	(75.700)	25.000
Cash and cash equivalents	23.910	90.640	114.550
Total investments	124.610	14.940	139.550
Net Borrowing	14.861	(15.142)	(0.281)

- 3.2. The borrowing position has remained consistent as the majority of the Council's loans are maturity loans with long durations. As is illustrated in the Prudential Indicators at the end of this report, 93% of these loans do not mature for at least ten years. Further to this no additional borrowing has been taken up in year to date and none is planned for the remainder of the year due to the current high interest rate environment and the Council's already strong cash position. Any loans taken up would incur a cost of carry due to the interest rates on borrowing being higher than those available for investment. Further borrowing, and the resultant increase in cash balances, would also have the adverse effect of increasing the Council's exposure to credit risk.
- 3.3. Investment balances have increased over the year to date by £14.940m. This is largely as a result of the timing differences between the receipts of grants versus subsequent expenditure, as many grants are received earlier in the year whilst expenditure is spread more evenly. It is anticipated that investment levels will return to similar to the opening levels by the end of the financial year.

4. BORROWING

- 4.1. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest

primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

- 4.2. The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in future.

5. BORROWING STRATEGY AND ACTIVITY

- 5.1. As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 5.2. There has been a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. In the year to date, Bank Rate has risen from 4.25% at the beginning of April to 5.25% at the end of September and was also 2% higher than its level at the end of September 2022. However, due to the Council's portfolio of fixed rate loans, there has been no adverse impact on interest costs.
- 5.3. Gilt yields were volatile, mainly facing upward pressure since early April following signs that UK growth had been more resilient, inflation stickier than expected, and that the Bank of England saw persistently higher rates through 2023/24 as key to dampening domestic demand. Gilt yields, and consequently PWLB borrowing rates, rose and broadly remained at elevated levels. On 30th September, the PWLB certainty rates for maturity loans were 5.26% for 10 year loans, 5.64% for 20-year loans and 5.43% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.
- 5.4. At 30 September the Council held £139.471m of loans, a minor reduction from 31st March 2023, as part of its strategy for funding previous years' capital programmes. No Further borrowing is planned in year.

Loans restructuring

- 5.5 The sharp rise in gilt yields over the past 18 months has now resulted in some of the Council's loans being in or close to a discount position if repaid early. However, as the prepaid loans would potentially need to be replaced by new loans at higher interest rates, this isn't a cost-effective option for the Council.

LOBO loans

- 5.6 The Council continues to hold £30m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate and terms or to repay the loan at no additional cost.
- 5.7 With market interest rates having risen, the probability of LOBOs being called has been higher than in the recent past. The £30m of LOBO loans have semi-annual call options, however no lender exercised their option to date. If any option is exercised and an increased rate proposed, the Council will evaluate whether to accept the new rate if it is judged to be a fair rate given the continued existence of future options and the prevailing interest rate at the or repay the loan at no additional cost. If required, the Council will repay the LOBO loans with available cash or by borrowing from other local authorities or the PWLB.

6. INVESTMENT ACTIVITY

- 6.1. CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 6.2. The Council held £139.550m of invested funds as at 30 September, representing income received in advance of expenditure plus balances and reserves held. The investment position is shown in Table 2 below and a full breakdown is included in **Appendix 1**.

Table 2: Treasury Investment Position

	31.3.23	Net	30.9.23	30.9.23	30.9.23
	Balance	Movement	Balance	Weighted	Weighted
	£m	£m	£m	Average	Average
				Return	Maturity
				%	Days
Local Authorities	70.700	(55.700)	15.000	4.25	57
Banks	30.000	(20.000)	10.000	4.60	10
Money Market Funds	23.910	90.640	114.550	5.31	n/a
Total Investments	124.610	14.940	139.550		

- 6.3. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.4. Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates around 5.6%. Money Market Rates are around 5.3%. The Council still has a small number of older investments which are shown with returns below base rate in table 2. However, as these mature they will be replaced with low risk investments with higher returns.
- 6.5. The Council's advisors, Arlingclose, are recommending only shorter duration deposits when using banks, and an increasing number of local authorities have issued Section 114 notices or suggested they are in danger of having to do so. Against this backdrop there has been a move towards using more Money Market Funds (MMFs) which are highly secure and offer daily liquidity. The Council will still look to place fixed deposits when satisfied with both the level of security and return.
- 6.6. Based on the current investment portfolio and anticipated market conditions for the remainder of the year, interest income of £5.309m is forecast against a budget of £2.685m, a favourable variation of £2.624m.

7. MANCHESTER AIRPORT

- 7.1. The Council has an historic 3.22% shareholding in Manchester Airport Group. This shareholding has been valued at £20.1m as at 31 March 2023. Prior to the COVID-19 pandemic, the Council was receiving significant dividend income from this investment (£6.4m in 2019) which was a key item in the Council's Medium Term Financial Strategy. No dividends have been received since 2020/21.

- 7.2. In recent years, further additional investment in Manchester Airport has been approved:
- 7.3. A capital investment of £11.3m in Manchester Airport was approved by Executive Cabinet in February 2018. The investment takes the form of a shareholder loan which was funded from reserves. Interest will be paid at a rate of 10% per annum, which generates a revenue stream for the Council of approximately £1m (after allowing for the loss of interest earned on cash used to fund the investment) which will support the revenue budget.
- 7.4. In February 2019, Executive Cabinet approved an equity investment of £5.6m in Manchester Airport funded by prudential borrowing. The investment is expected to generate revenue income through returns of around 3.25% (after taking account of borrowing costs and debt repayment). It was originally envisaged that this income would begin to be received from 2021/22 onwards, although no amounts are yet assumed in the Medium Term Financial Plan (MTFP). The economic impact of COVID-19 is likely to mean that income from this investment will not be generated for a number of years and will be dependent on the speed and scale of recovery in the Aviation Sector. This additional shareholding has been valued at £4.3m as at 31 March 2023.
- 7.5. In April 2020, Executive Cabinet approved a further investment of £9.7m in Manchester Airport in the form of an equity loan, funded by prudential borrowing. The loan intended to provide financial stability to Manchester Airport Group and ensure it was best placed to react and rebuild business operations as Covid restrictions were lifted. The investment completed in June 2020 and generates income through interest earned of 10% per annum
- 7.6. The COVID-19 pandemic has had a significant impact on the Aviation Industry. Whilst the expectation is that interest on loans and investments will continue to be accrued, the annual dividend is not expected to be payable for a number of years, placing a £6.4m pressure on the revenue budget.

8. COMPLIANCE

- 8.1. The Director of Resources reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy.

9. PRUDENTIAL INDICATORS

- 9.1. As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

Ratio of Financing Costs to Net Revenue Stream

Limit/Indicator	Limit %	Estimate %
Ratio of financing costs to net revenue stream	4.5	4.5

This ratio represents the total of all financing costs e.g. interest payable and minimum revenue provision (MRP) that are charged to the revenue budget as a percentage of the amount to be met from Government grants and taxpayers (net revenue stream).

Capital Financing Requirement (CFR)

Limit/Indicator	Limit £m	Actual £m
Capital Financing Requirement	194.637	193.962

The Capital Financing Requirement is aimed to represent the underlying need to borrow for a capital purpose and is calculated from the aggregate of specified items on the balance sheet.

The CFR increases by the value of capital expenditure not immediately financed (i.e. borrowing) and is reduced by the annual MRP repayment.

Capital Expenditure

Limit/Indicator	Limit £m	Estimate £m
Capital expenditure	118.794	47.100

This is the total capital expenditure incurred (from all funding sources).

Incremental Impact of Capital Investment Decisions

Limit/Indicator	Limit £	Actual £
For the Band D Council Tax	0.27	0.01

This is the estimate of the net incremental impact of the capital investment decisions, based on the level of borrowing set out in the report and reflects the total cost of this additional borrowing (interest payments and minimum revenue provision), as a cost on Council Tax.

The actual cost will depend on final funding. For every £1 increase on Band D properties, approximately £0.066m would be raised.

Operational Boundary and Authorised Limit on External Debt and Other Long Term Liabilities

Limit/Indicator	Limit £m	Actual £m
Operational Boundary for external debt	206.110	139.269
Authorised Limit for external debt	226.110	139.269

The Authorised Limit for External Debt sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council.

The operational boundary for External Debt comprises the Council's existing debt plus the most likely estimate of capital expenditure/financing for the year. It excludes any projections for cash flow movements. Unlike the authorised limit, breaches of the operational boundary (due to cash flow movements) are allowed during the year as long as they are not sustained over a period of time.

These limits include provision for borrowing in advance of the Council's requirement for future capital expenditure. This may be carried out if it is thought to be financially advantageous to the Council.

Upper and lower limits on Interest Rate Exposures

Limit/Indicator	Limit £m	Actual £m
Upper limit for fixed interest rate exposure	194.637	84.221
Upper limit for variable interest rate exposure	64.879	(84.306)

These limits are in respect of our exposure to the effects of changes in interest rates. The limits reflect the net amounts of fixed/variable rate debt (i.e. fixed/variable loans less fixed/variable investments. A negative value represents investments being higher than loans)

Upper Limit for Total Principal Sums Invested for Over 364 Days

Limit/Indicator	Limit £m	Actual £m
Upper limit for sums invested over 364 days	30.000	nil

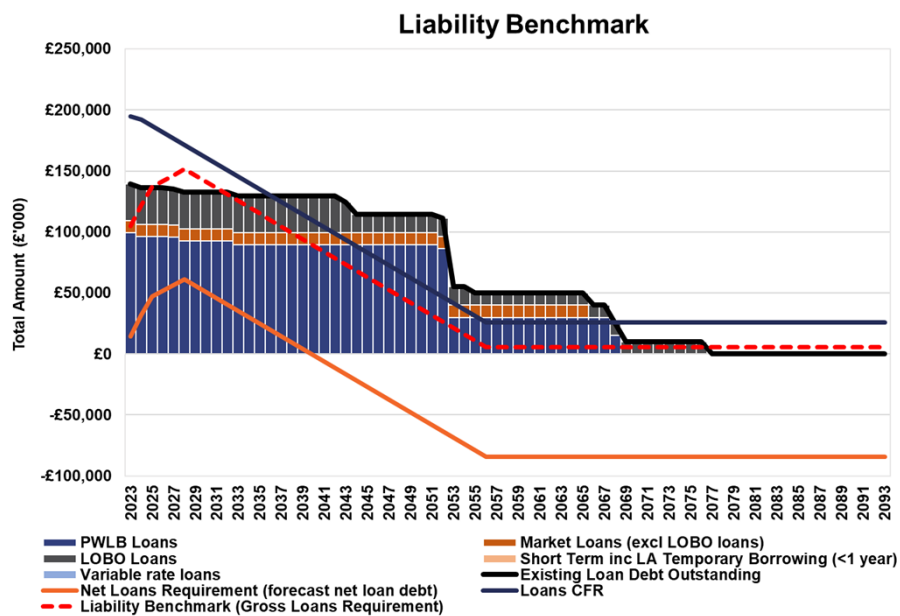
This limit is in respect of treasury investments made for a duration longer than one year.

Maturity structure for fixed rate borrowing

Indicator	Limit	Actual
Under 12 months	0% to 15%	2.16%
12 months and within 24 months	0% to 15%	-
24 months and within 5 years	0% to 30%	2.55%
5 years and within 10 years	0% to 40%	2.16%
10 years and above	50% to 100%	93.13%

This indicator is in respect of all of the Council's fixed rate borrowing with PWLB or other market lenders.

Liability Benchmark



The liability benchmark is a new prudential indicator introduced by CIPFA for 2023/24. This gives a long term view of the Council's borrowing needs based on current commitments. This demonstrates that there is currently no borrowing need and the Council currently has a significant level of surplus cash, which makes up its investment portfolio. If further schemes to be funded by borrowing are added to the Capital Programme in future then the benchmark will increase and more borrowing could potentially be required.

Investments

The below table shows all of the Council's treasury investments as at 30 September 2023.

	Amount £m	Rate	Start	End
Fixed Deposits - Local Authorities				
Cheshire West and Chester Council	5.000	4.05%	28-Oct-22	23-Oct-23
Woking Borough Council	5.000	4.50%	14-Nov-22	13-Nov-23
Eastbourne BC	5.000	4.20%	13-Feb-23	15-Jan-24
	15.000			
Fixed Deposits - Banks				
Goldman Sachs	5.000	4.710%	11-Apr-23	11-Oct-23
Landesbank Hessen Thuringen				
Girozentrale (Helaba)	5.000	4.480%	11-Apr-23	11-Oct-23
	10.000			
Money Market Funds				
Invesco	15.000	5.33%	n/a	
Insight	15.000	5.30%	n/a	
SSGA	14.200	5.28%	n/a	
Federated	14.500	5.35%	n/a	
DB Advisors	10.940	5.23%	n/a	
AAM	15.000	5.29%	n/a	
Legal & General	15.000	5.35%	n/a	
Morgan Stanley	14.910	5.36%	n/a	
	114.550			
Total Investments	139.550			

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Agenda Item 8.

Report to:	Audit Panel
Date:	Tuesday, 21 November 2023
Reporting Officer:	Carol McDonnell – Head of Assurance
Subject:	Internal Audit Progress Report to October 2023
Report Summary:	This report provides an update on Internal Audit’s progress against the Internal Audit Plan as at 31 October 2023.
Recommendations:	That the Panel note the progress report at Appendix 1 .
Corporate Plan:	Internal Audit work is linked to the Council’s corporate priorities. Internal Audit activity seeks to support the Council in the delivery of the Corporate Plan.
Policy Implications:	Delivery of an effective risk based Internal Audit plan provides assurance that the Council’s policy framework is sufficient and operating effectively.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	There are no financial implications directly associated with this report.
Legal Implications: (Authorised by the Borough Solicitor)	<p>A properly functioning Internal Audit supports the Director of Resources (Section 151) in discharging their statutory responsibilities under:</p> <ul style="list-style-type: none">• S151 of the Local Government Act 1972 – to ensure the proper administration of financial affairs.• Section 114 of the Local Government Act 1988 – to ensure the Council’s expenditure is lawful.• The Accounts and Audit Regulations 2015 – the Council must undertake an adequate and effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance.
Risk Management:	Delivery of a risk based audit plan gives the Panel assurance that the Council’s most material / significant risks are being managed.
Access to Information:	The background papers can be obtained from the author of the report.
Background Information:	The background papers relating to this report can be inspected by contacting Carol McDonnell, Head of Assurance :



Telephone:



e-mail: Carol.McDonnell@tameside.gov.uk

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Internal Audit Progress Report



October 2023



Contents

- 01 Introduction
- 02 Internal Audit Work Undertaken
- 03 Follow Up
- 04 Implementation of Assurance Model
- 05 Performance

Appendices

- 01-04 Summary of Internal Audit Work Undertaken 2023/24
- 05 Assurance & Recommendation Classifications

If you have any questions about this report, please contact Carol McDonnell, Head of Assurance on:
carol.mcdonnell@tameside.gov.uk

The matters raised in this report are the ones that came to our attention during our internal audit work. While every care has been taken to make sure the information is as accurate as possible, Internal Audit has only been able to base these findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the weaknesses that exist, or all of the improvements that may be needed. This report was produced solely for the use and benefit of the Tameside Metropolitan Borough Council (TMBC). TMBC accept no responsibility and disclaim all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and / or modification.

01 INTRODUCTION

BACKGROUND

This report comprises Internal Audit's progress report against the Internal Audit Plan which was approved by the Audit Panel on 1 August 2023.

SCOPE AND PURPOSE OF INTERNAL AUDIT

The Accounts and Audit Regulations 2015 require councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS).

This progress report forms part of the framework of assurances that is received by the Council and is used to help inform the Annual Governance Statement and to assist the Audit Panel in discharging their remit to consider reports on Internal Audit's performance during the year.

Internal Audit's professional responsibilities as internal auditors are set out within PSIAS produced by the Internal Audit Standards Advisory Board.

ACKNOWLEDGEMENTS

Internal Audit is grateful to all officers and members for their support and assistance provided during the period.

02 INTERNAL AUDIT WORK UNDERTAKEN

PLANNED WORK

The Internal Audit Plan for 2023/24 was approved by the Audit Panel on 1 August 2023. This report sets out the position against the plan to the end of October 2023.

Progress has been slower than anticipated during this period. Much of the early part of the year was spent finalising 2022/23 reports and providing the annual opinion and draft plan. Acknowledging this being the summer holiday period (affecting availability of staff, including an auditor who works term time only), there have been further resource issues within the Assurance team. We have been unable to recruit to the Audit Manager post and an Auditor who was on paternity leave has since resigned. Rather than re-advertise these posts, these days have now been procured and will be delivered via our new co-sourced partner, SWAP. The new permanent Head of Assurance, Carol McDonnell, joined on 23 October 2023.

A summary of progress against the plan during the period, in terms of the reports issued, assurance opinion and recommendations by priority is detailed at **Appendix 01**. The overall assurance rating, audit findings, together with recommendations for action and management responses are set out within Internal Audit's detailed reports.

UNPLANNED / IRREGULARITY / COUNTER FRAUD

The Council is committed to providing effective counter fraud arrangements and ensuring that there are adequate measures in place to prevent, detect and investigate fraud and corruption.

Internal Audit have two counter fraud specialists who facilitate the co-ordination of the GMPF's counter fraud activities. A summary of work undertaken on unplanned / irregularity/ fraud referrals undertaken during the period is detailed at **Appendix 02**

CONSULTANCY & ADVICE

The audit team may be requested by managers to undertake consultancy and advice on governance, risk management and internal control matters. A summary of advice / consultancy undertaken by the service during the period is detailed at **Appendix 03**.

GRANTS

A number of grant certifications/annual returns have been completed during the period. These audits provide assurance over the accuracy of the information contained within the grant returns and that funding conditions have been complied with. A summary of these certifications is detailed at **Appendix 04**.

SPECIFIC ISSUES

No specific issues have been highlighted through the work undertaken by Internal Audit during the period.

03 FOLLOW UP

A review of the system for audit follow up has been undertaken. Internal Audit previously conducted Post Audit Reviews approximately 6 months following each audit. While this allowed implementation performance to be reported against those audits followed up, it did not give overall visibility of the total number of

recommendations outstanding or overdue at any point in time. A new system for reporting is being introduced and a system for audit follow up which targets audit resources to areas of most significant / material risk, notably audit verification of high priority actions and actions arising from audit reviews which receive an overall no or limited assurance opinion. Accountable managers will be asked to provide their confirmation on the implementation of medium priority actions and low priority will not be tracked.

A review of previous audits has been undertaken to identify those audit recommendations which remain open i.e., have not been closed out by a Post Audit Review. The total current number is as below.

Managers have been asked to confirm the implementation status of their medium priority recommendations by 31 October 2023 and audit are sample testing evidence of implementation of highs to establish a baseline position. An update will be given at the next reporting period.

Open Recommendations	High	Medium	Low
Adults	32	149	12
Childrens	23	107	21
Schools	15	209	-
Governance	1	12	-
Place	-	36	-
Public Health	1	3	
Resources	12	61	16
GMPF	23	53	9
GMPF Employers	4	22	-

A number of efficiency (discretionary) recommendations remain outstanding which are being tracked by the team.

04 IMPLEMENTATION OF ASSURANCE MODEL

As previously reported to the Panel, a root and branch review of audit practice is being undertaken as part the implementation of the assurance model. The following progress has been undertaken during this period:

- Implementation of a new Terms of Reference (TOR) and reporting format (dashboard system) based on best practice.
- New priority and assurance ratings (see **Appendix 05**).
- New approach to follow up (as 03 follow up).
- Implemented co-sourced arrangement with assistance from STAR Procurement. South West Audit Partnership (SWAP) have now been appointed for a year to deliver up to @ 100 days.
- New permanent Head of Assurance, Carol McDonnell commenced on 23 October 2023.
- To commenced view of Audit Manual and Charter in preparation for external PSIAS assessment.
- Delivered training session to auditors (12 September 2023).
- Review of customer satisfaction process in progress.

05 PERFORMANCE

Compliance with professional standards

Internal Audit employ a risk-based approach in planning and conducting audit assignments. Work is performed in accordance with PSIAS.

Conflicts of Interest

There have been no instances during the period which have impacted on Internal Audit's independence.

Internal Audit Quality Assurance

To ensure the quality of the work performed, Internal Audit have a programme of quality measures which includes:

- Supervision of staff conducting audit work.
- Review of files of working papers and reports by managers.
- Regular networking with professional / technical bodies and peers.

Performance Measures

- Compliance with PSIAS – TBC on external review.
- Percentage delivery of audit plan (annual target 90%) – on target.
- Customer satisfaction (target 90%) – TBC
- Recommendations Implemented (target 90%) – see section 03.
- No of irregularities reported / investigated (annual target downward trend) 21/22:81; 22/23:56

APPENDIX 01 PLANNED WORK

Tameside Council Refreshed Audit Plan 2023/24						Recommendations		
Assurance Required	Link to Risk	Audit	Summary Scope	Planned / Status	Assurance Opinion	High	Medium	Low
Key Risks & Priorities	Financial Resilience	Budget Challenge – Financial Resilience	Review of the effectiveness of the governance arrangements in place to drive the delivery of planned and future efficiency targets. To use as a pilot for roll out across other directorates.	Q3				
	Adverse Inspection	Children's Improvement Planning	To provide assurance on the robustness and evidence-based deliverability of improvement planning within Children's following recent inspection outcomes.	Q3				
	Capacity, Key supplier / partner failure	Commissioning Cycle – Adults	Risk based review of Council's arrangements for commissioning and contract management in adult care. To include homecare~ and provider failure / capacity risk.	WIP				
	Capacity, Key supplier / partner failure	Commissioning Cycle – Children's~	Risk based review of Council's arrangements for commissioning and contract management of services for children's to include systems for monitoring out of area and high-cost placements. To also include provider failure / capacity risk.	Q3				

APPENDIX 1

Tameside Council Refreshed Audit Plan 2023/24						Recommendations		
Assurance Required	Link to Risk	Audit	Summary Scope	Planned / Status	Assurance Opinion	High	Medium	Low
	Financial Resilience, capacity	Agency Workers	Risk based review of commissioning of agency workers, to include systems around strategic appointment of agencies, approvals / permissions to select and engage agency workers and monitoring of provision.	Q3				
	Financial Resilience	Direct Payments	Risk based review of the system for direct payments, from eligibility, award, to evidence of provision.	Q3				
	Capacity, Key supplier / partner failure	Strategic Procurement	Risk based review of strategic procurement arrangements, to include strategy, procurement and contract management and performance. This review will include STAR Procurement arrangements.	Q4				
	Capacity	Recruitment & Retention	Risk based review of recruitment systems from authority to appoint to on-boarding. Review of effectiveness of arrangements in place to ensure staff retention	WIP				

APPENDIX 1

Tameside Council Refreshed Audit Plan 2023/24						Recommendations		
Assurance Required	Link to Risk	Audit	Summary Scope	Planned / Status	Assurance Opinion	High	Medium	Low
	Housing supply, wider socio economic	Place – Major Programmes / Projects	Risk based programme assurance review of major capital programmes managed within the Place Directorate. To include adequacy of governance arrangements and approvals	Q4				
	Adverse inspections	Information Governance	Risk based review of information governance arrangements to include compliance with Data Protection legislation	Q4				
	All risks	Risk management	Review of the Council's risk management arrangements including strategy and procedural documentation, corporate and directorate risk management arrangements; and project / programme risk.	Q4				
	Health & Social Care Reform	Health & Social Care Reform	Risk based review of the governance arrangements in place to support the delivery of the next phase of health and social care integration	Q4				
	Adverse inspection	School Places	Risk based review of arrangements in place for school's-based provision (including specialist places and early year's).	WIP				
	Core Financial	Financial Resilience	Payroll / Expenses	Risk based reviews of these core financial systems to	Q3			
Creditors			Q4					

APPENDIX 1

Tameside Council Refreshed Audit Plan 2023/24						Recommendations		
Assurance Required	Link to Risk	Audit	Summary Scope	Planned / Status	Assurance Opinion	High	Medium	Low
Systems		Debtors	provide an opinion on the adequacy and effectiveness of controls in place to mitigate key risks. Includes core financial systems not audited in the last year (2022/23)	DRAFT REPORT				
		General Ledger		DRAFT REPORT				
		Treasury Management		Q4				
		Budgetary Control		WIP				
		Medium Term Financial Planning		WIP				
		Benefits		DRAFT REPORT				
		NNDR		FINAL	Substantial	0	1	4
		Capital Programme		Q3				
		Financial Management		Q3				
IT Audit Programme	Cyber	Phase 1: Technology Assurance Framework	To provide an assurance review on the high-level risks inherent in the current IT estate. Via workshop, this review will assess current IT arrangements against best practice / peers and make recommendations; as well as making recommendations to address specific risks identified. This review will also provide the targeted provision of future technology and digital audit assurance*.	Q4				

APPENDIX 1

Tameside Council Refreshed Audit Plan 2023/24						Recommendations		
Assurance Required	Link to Risk	Audit	Summary Scope	Planned / Status	Assurance Opinion	High	Medium	Low
		Phase 2: Security Assurance Framework Review	Informed by Phase 1 and covering areas such as asset inventory, security configuration, user access, monitoring, penetration testing, this review will provide assurance on the council's mitigations in place in the event of cyber-attack*.	Q4				
		Payment Card Security PCI DSS	To provide an advisory review that the payment card PCI DSS systems and processes are compliant with best practice.	WIP				
Schools Audit Programme	Safeguarding, adverse inspection	Broadbottom CE Primary	Primary Schools (8) and High Schools (2) Standard school audit programme in line with School's Financial Value Standard	Q4				
		Mottram CE Primary		Q4				
		Ravensfield Primary		DRAFT REPORT				
		St Annes Audenshaw, Primary		FINAL	Medium	2	20	3
		St Annes Denton, Primary		FINAL	High	0	1	3
		St Damian's RC Science College		Q4				
		St John-Fisher RC Primary		Q3				
		St Mary's Dukinfield		FINAL	Medium	1	15	2

APPENDIX 1

Tameside Council Refreshed Audit Plan 2023/24						Recommendations		
Assurance Required	Link to Risk	Audit	Summary Scope	Planned / Status	Assurance Opinion	High	Medium	Low
		St Thomas Moore RC College		FINAL	High	0	8	0
		St Pauls RC Primary & Nursery Hyde		DRAFT REPORT				
Other Audit Activity	N/A	General Audit Time	Management, Advice, Working Groups, Audit Follow Up ('Post Audit Reviews', PSIAS Assessment, Supporting Audit Panel, Schools Financial Value Standard, AGS, Risk, STAR collaboration audit, Grant assurance work, Registrars Financial Audit, Duplicate Payment Exercise	STAR collaboration audit (Income) WIP				
				Registrars Financial Audit FINAL	Medium	0	2	0
Counter Fraud	Counter Fraud	Counter Fraud	National Fraud Initiative, Proactive and reactive counter fraud, policy review and update	WIP	N/A			
Greater Manchester Pension Fund (GMPF)	Employers failing to pay correct contributions / costs on time	Assurance Visits to Employers	Standard assurance reviews to verify systems in place for pension deductions at GMPF Employers. Standard audit programme in place.	WIP				
	Investment strategy does not align with aims / deliver expected	Treasury Management	Assurance opinion of adequacy of arrangements following changes planned to treasury management at GMPF.	Q4				

APPENDIX 1

Tameside Council Refreshed Audit Plan 2023/24						Recommendations		
Assurance Required	Link to Risk	Audit	Summary Scope	Planned / Status	Assurance Opinion	High	Medium	Low
	returns.	Investment Strategy	Risk based assurance review of investment strategy and mitigations in place to manage this risk e.g., regular monitoring of position, liquidity and individual employer strategies	Q3				
	Loss of data / data breach	Information Governance	Risk based review of information governance arrangements at GMPF.	Q4				
	Benefits incorrectly calculated / re-calculated and paid	Pension benefits payable	Compliance based review to give assurance that the correct benefits are being paid on time.	FINAL	Substantial	0	6	1
	Public Sector Procurement Rules not followed	Procurement and Contract Management	Risk based review of material controls at GMPF from procurement compliance to contract monitoring, VFM.	Q4				
	Fraud risk, bribery & corruption	Counter fraud	Review of counter fraud measures e.g., segregation of duties and procedures around payments, conflicts of interest and due diligence on third party providers.	WIP				
	Incorrect interpretation of Regulation	Pensions Regulator – Single Code of Practice	Review giving assurance of GMPF compliance against the new Code.	Q3				

APPENDIX 1

Tameside Council Refreshed Audit Plan 2023/24						Recommendations		
Assurance Required	Link to Risk	Audit	Summary Scope	Planned / Status	Assurance Opinion	High	Medium	Low
	IT infrastructure failure / loss	IT Audit	Phase 1 and Phase 2 as TMBC plan above*	Q4				
	All risks	Northern LGPS Collaborative work	Contribution of assurance days working in partnership with Merseyside and West Yorkshire Pension Funds.	WIP				
	N/A	General Audit Time	Management, Advice, Follow Up ('Post Audit Reviews'), Supporting Pensions Board and Audit Panel, Counter Fraud	N/A	N/A	N/A	N/A	N/A

APPENDIX 1

APPENDIX 02 FRAUD / IRREGULARITY

Directorate	Referral / Investigation	Summary	Amount £	Status
Adults	Adult Social Care	Potential misuse of direct payments for nighttime needs	£92k	In progress
Adults	Adult Social Care	Alleged Direct Payment fraud	Currently not known	In progress
Adults	Adult Social Care	Alleged Direct Payment fraud	£16k	In progress
Childrens	Childrens Social Care Fraud	Alleged inaccurate billing / invoices by a supplier	Currently not known	In progress
Childrens	Childrens Social Care	Special Guardianship Order overpayment	£20k	In progress
Education	School Contractor	Fraudulent invoices recovery via Proceeds of Crime Act	£101k	Closed
Exchequer	Allegations of Council Tax Fraud	NFI match	Currently not known	In progress
Exchequer	Allegations of Council Tax Fraud	Alleged Council Tax Fraud	Currently not known	In progress
Exchequer	Allegations of Council Tax Support Fraud	Three CTS investigations for undeclared earnings	Currently not known	In progress
Exchequer	Single Person Discount Fraud	Three SPD investigations	£992	In progress
Exchequer	Housing Benefit and Council Tax Support	Benefit investigation for undeclared properties	£88k	In progress
Exchequer	Council Tax Support Fraud	CTS investigation for undeclared partner	Currently not known	In progress
Exchequer	Business Rates	10 Covid business rates investigations	£83k	In progress
Finance	Adult Social Care	Outstanding care home fees	£80k	In progress
Place	Blue Badge	Blue Badge misuse	Currently not known	In progress
Place	Council Tax Support	CTS investigation for undeclared partner	Currently not known	In progress
Place	Misappropriation of funds	Accommodation for Ex-Offenders	£59k	In progress

APPENDIX 03 ADVICE / CONSULTANCY

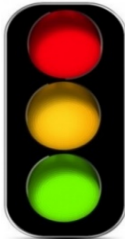
Directorate	Advice / Consultancy
Cross Cutting	Review – Car mileage. Draft Report.
Childrens	Review – Use of cash in children’s social care. WIP.
	Advice – Agresso Interface File for SEND.
	Review – Use of petty cash in children’s social care. Draft Report.
GMPF	Advice – Life Certificates.
	Advice – Pension re-calculations.
Governance (Systems Team)	Advice – Freedom of Information.
Place	Advice – Household Support Fund and Resettlement Scheme.
Resources	Advice – Allotments.
Schools	Advice – Caspar financial case management system.
Page 135	Advice – Financial Regulations for Schools.
	Advice – School fund account.
	Advice – School bank mandate.
	Advice – Schools kids club.

APPENDIX 04 GRANTS

Directorate	Grant Audit	Assurance	Recommendations		
			High	Medium	Low
Childrens	Supporting Families	Medium	2	8	0
	Family Hubs and Start for Life programme 2022/23	Grant Opinion Signed Off			
Place	Biodiversity Net Gain Grant 2022/23	Grant Opinion Signed Off			
	Bus Subsidy Grant 2022/23	Grant Opinion Signed Off			
	Changing Places Fund 2022/23	Grant Opinion Signed Off			

APPENDIX 05 ASSURANCE & RECOMMENDATIONS CLASSIFICATIONS

Overall Audit Assurance Opinion	Definition
Full	There is a sound system of internal control designed to achieve the organisation's objectives. The control processes tested are being consistently applied.
Substantial	While there is a basically sound system of internal control, there are some weaknesses which may put the organisation's objectives in this area at risk. There is a low level of non-compliance with some of the control processes applied.
Limited	Weaknesses in the system of internal controls are such as to put the organisation's objectives in this area at risk. There is a moderate level of non-compliance with some of the control processes applied.
No	Significant weakness in the design and application of controls mean that no assurance can be given that the organisation will meet its objectives in this area.

Priority	Definition
	High Priority Recommendation Representing a fundamental control weakness which exposes the organisation to a high degree of unnecessary risk.
	Medium Priority Recommendation Representing a significant control weakness which exposes the organisation to a moderate degree of unnecessary risk.
	Low Priority (housekeeping) Recommendation Highlighted opportunities to implement a good or better practice, to add value, improve efficiency or further reduce the organisation's exposure to risk.

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Agenda Item 9.

Report to:	Audit Panel
Date:	Tuesday, 21 November 2023
Reporting Officer:	Ashley Hughes – Director of Resources
Subject:	Annual Governance Statement 2022/23 - Action Plan Update
Report Summary:	To present the Audit Panel with an update to the Annual Governance Statement Action Plan as requested at the last meeting of the Panel on 1 August 2023, and in accordance with best practice.
Recommendations:	That progress against the action plan at Appendix 1 is noted.
Corporate Plan:	Demonstrates Corporate Governance.
Policy Implications:	Demonstrates compliance with the Accounts and Audit Regulations 2015 (as amended).
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	Sound corporate governance and proper systems of internal control are essential for the long-term financial health and reputation of the Council.
Legal Implications: (Authorised by the Borough Solicitor)	Local authorities are required by the Accounts and Audit Regulations 2015 (as amended) to prepare a governance statement in order to report publicly on the extent to which the council is complying with its own code of governance on an annual basis, including the monitoring and evaluation of the effectiveness of the governance arrangements in the year. This report provides the half yearly report of progress against actions.
Risk Management:	The statement provides assurance that the Council has a sound system of corporate governance in place. It is considered to be an important public expression of how the Council directs and controls its functions and relates to its community.
Access to Information:	Non confidential
Background Information:	The background papers relating to this report can be inspected by contacting contact Carol McDonnell, Head of Assurance:  Telephone: 0161 342 3231  e-mail: carol.mconnell@tameside.gov.uk

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APPENDIX 1

Annual Governance Statement 2022/2023 – Improvement Plan OCTOBER 2023 UPDATE

Ref	Area of Review	Improvement Identified for Implementation in 2021/22 AGS	Progress Reported As At June 2023	Improvement Identified for Implementation in 2023/2024 Improvement Owner and Completion Date	OCTOBER 2023 UPDATE
1	Vision Tameside (Carry Forward)	To complete the Ashton Town Hall project along with the remaining elements of the Vision Tameside project. Director of Place March 2022 and ongoing	This project is part of Tameside’s Levelling Up Funding proposals. Completion aim is March 2025.	Completion of project by March 2025. Director of Place March 2025	Not yet due
2	Children’s Services (Carry Forward)	To monitor the revised improvement plan with delivery action and risks being tracked monthly. Director of Children’s Services March 2023	Complete and ongoing. Eight-month stock take of the improvement plan monthly actions RAG rated and approved and signed off May 23 by Children’s Improvement Board Quarterly monitoring of Improvement Plan undertaken by Children’s Scrutiny Panel.	Revised improvement plan coproduced with partners and signed off at Children’s Improvement Board April 23 agreed with DFE. Monthly actions tracked into Improvement Board forward plan and agenda reports schedule. External DFE 6-month review of progress 20/06/23. Director Children’s Services March 2024	Not yet due

Ref	Area of Review	Improvement Identified for Implementation in 2021/22 AGS	Progress Reported As At June 2023	Improvement Identified for Implementation in 2023/2024 Improvement Owner and Completion Date	OCTOBER 2023 UPDATE
3	Management of CCTV (Carry Forward)	Capital investment to update the CCTV system as funding becomes available. Director of Place Autumn 2022	Action carried forward	Capital investment to update the CCTV system as funding becomes available. Assistant Director Place March 2025	Not yet due
4	ICT Disaster Recovery and Business Continuity Planning (Carry Forward)	Services to review and agree their system recovery priorities in conjunction with the IT Service. Once determined systems will need to be put in place to ensure Tier 1 systems have full recovery checks and tests undertaken annually and Tier 2 systems every other year. Director of Finance March 2023	Action carried forward	Services to review and agree their system recovery priorities in conjunction with the IT Service. Once determined systems will need to be put in place to ensure Tier 1 systems have full recovery checks and tests undertaken annually and Tier 2 systems every other year. Director of Resources March 2024	Not yet due
5	Information Governance (Carry Forward)	Delivery of the Information Governance Work Plan and review the Information Governance Service across the Council. Director of Governance and Pensions Director of Finance January 2023	Action carried forward	The Information Governance Work Plan has been regularly monitored in 2022/23 by the Information Governance Group. Capacity issues within the service has impacted upon progress. This will be addressed in 2023/24. Director of Resources Head of Assurance March 2024	Not yet due




Ref	Area of Review	Improvement Identified for Implementation in 2021/22 AGS	Progress Reported As At June 2023	Improvement Identified for Implementation in 2023/2024 Improvement Owner and Completion Date	OCTOBER 2023 UPDATE
6	Implementation of a Strategic Commissioning Function (Carry Forward)	<p>Until the proposed legislation is passed through Parliament, it is difficult to evaluate the risks ahead.</p> <p>As further clarity is received on the GM Integrated Care System, risks will be identified, evaluated and reported in accordance with the joint principles agreed across the Place based leadership model.</p> <p>Director of Finance/Single Leadership Team September 2022</p>	Action no longer relevant due to changes in GM moving forward with locality-based leads.		
7	Debtors (Carry Forward)	<p>Improvements to the Debtors System need to be embedded across the Council and these will then be tested by Internal Audit in the latter half of 2022/23 to provide assurance that the overall system is working effectively and fit for purpose.</p> <p>Director of Governance and Pensions Director of Finance March 2023</p>	Action carried forward	<p>Debtors has been included on the refreshed audit plan for 2023/24 and will be completed by Quarter 2.</p> <p>Head of Assurance December 2023</p>	Implemented. Debtors audit completed, report in draft.

Ref	Area of Review	Improvement Identified for Implementation in 2021/22 AGS	Progress Reported As At June 2023	Improvement Identified for Implementation in 2023/2024 Improvement Owner and Completion Date	OCTOBER 2023 UPDATE
8	Compliance with the CIPFA Financial Management Code (Carry Forward)	To ensure that the nine improvements identified in the assessment conducted and reported to Executive Cabinet in April 2021 are implemented. Director of Finance March 2023	Action carried forward	A draft self-assessment was undertaken in June 2023 by Financial Management. This will be published in 2023/24 and reviewed by the Audit Panel as part of their 2023/24 work programme. Director of Resources September 2023	The FM Code review is down on the audit plan for January 2024. It should be in the AGS going forward as part of the annual review.
9	Early Help Service (Carry Forward)	To review and implement the learning and improvements identified by the Peer Review conducted by Stockport Council in December 2020. Delivery of colocation of neighbourhood teams along with a newly identified Family Hubs work programme. Director of Children's Services December 2022	All learning and improvements implemented and responded to. Family Hubs launched and opened in January 23. New Early Help Strategy and delivery model agreed with Partners in May 23 due to be received at Cabinet June 23	As progress reported. Director of Children's Services June 2023	
10	Assurance (Risk & Audit)			Embed a model of assurance to the disciplines of risk and audit using the '3 lines approach'. Head of Assurance March 2024	Implemented Three lines introduced via new risk management process and integrated into audit planning approved by Audit Panel on 1 August 2023.

Ref	Area of Review	Improvement Identified for Implementation in 2021/22 AGS	Progress Reported As At June 2023	Improvement Identified for Implementation in 2023/2024 Improvement Owner and Completion Date	OCTOBER 2023 UPDATE
11	Statutory Accounts sign off			Liaison with External Audit to expedite sign off of outstanding statutory accounts. Director of Resources March 2024	Not yet due
12	Medium Term Financial Strategy			Implementation of a robust medium term financial strategy. Director of Resources February 2024 (Budget Council)	Not yet due
13				Embed a refreshed strategic delivery and performance framework during 2023/24. Head of Policy, Performance & Intelligence March 2024	Framework outline agreed by Executive Cabinet in September 2023. See link below. Work on individual elements ongoing. Item 5 - agenda for Executive Cabinet on Wednesday, 27th September, 2023, 1.00 pm (modern.gov.co.uk)

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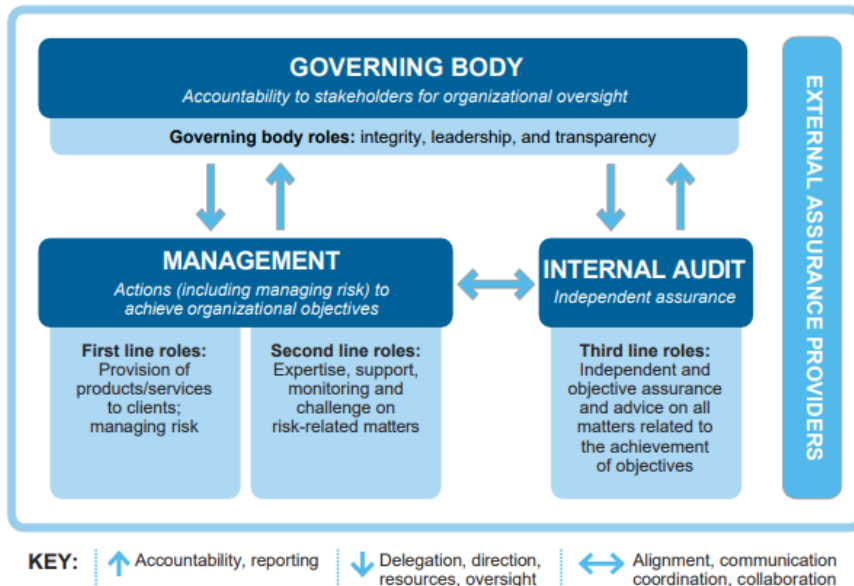
Agenda Item 10.

Report to:	Audit Panel
Date:	Tuesday, 21 November 2023
Reporting Officer:	Carol McDonnell – Head of Assurance Martin Nixon – Risk, Insurance and Information Governance Manager
Subject:	Strategic Risk Management Update (Quarter Two)
Report Summary:	To present the Council's strategic risk management update (quarter two), which includes a refresh of the Risk Management Policy & Strategy.
Recommendations:	That the report is approved.
Corporate Plan:	The strategic risk register sets out the risks of not achieving the corporate plan by directly linking the corporate plan to strategic risks; together with the mitigations in place to manage those risks.
Policy Implications:	The Council's systems for managing risk are set out in the Risk Management Policy & Strategy which have been updated in this report, in light of the changes proposed at the August 2023 Audit Panel meeting.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	The Local Government (Accounts and Audit) Regulations require local authorities to have arrangements in place for the management of risk. Receiving regular updates on the Council's risk management enables the Council to effectively fulfil this remit.
Legal Implications: (Authorised by the Borough Solicitor)	As above.
Risk Management:	Failure to effectively manage risk comprises the Council's ability to meet its strategic objectives.
Access to Information:	
Background Information:	The background papers relating to this report can be inspected by contacting Martin Nixon, Risk, Insurance and Information Governance Manager:  Telephone: 0161 342 3883   e-mail: martin.nixon@tameside.gov.uk

1. INTRODUCTION

- 1.1 The Local Government (Accounts and Audit) Regulations requires local authorities to have arrangements in place for the management of risk. The purpose of risk management is to effectively manage potential opportunities and threats to the Council achieving its objectives. Part of the remit of the Audit Panel is to ‘monitor the effective development and operation of risk management’.

The IIA’s Three Lines Model



- 1.2 Current best practice integrates the disciplines of risk management and internal audit into a model of assurance. This model is intended to give assurance to those ‘charged with governance’ that the Council’s major / significant risks are being effectively managed as well as providing early ‘red flags’ where attention is needed. The Institute of Internal Audit’s ‘3 lines’ model best demonstrates this below.
- 1.3 At the last meeting of the Audit Panel (1 August 2023), the Panel were advised that the ‘three lines’ had been introduced as part of a number of enhancements to the Council’s risk management arrangements as part of the Council’s wider embedding of the assurance model.

2. EMBEDDING ASSURANCE

- 2.1 Good progress against the action plan reported at the last Audit Panel has been made. This is set out as below:

Improvement Required	Action / Responsibility / Timescale	Quarter Two Update (September 2023)
Directorate risk registers are not routinely in place.	Quarterly directorate risk registers (including escalating and de-escalating) risks from the strategic risk register will be put in place. Risk, Insurance and Information Governance Manager / Directors September 2023	Each Directorate has an updated Directorate Risk Register including the ‘3 lines’ in place. The next update is required in December 2023 (Quarter Three). Implemented

Improvement Required	Action / Responsibility / Timescale	Quarter Two Update (September 2023)
There is no strategic risk management group or risk champions to promote and embed risk management across the organisation.	Each director will be asked to propose a champion from their directorate and a risk management group will be convened to meet quarterly. Risk, Insurance and Information Governance Manager / Directors September 2023	Risk Champions (RC) from each Directorate are now in place. Meetings are convened Quarterly. In addition, a training session was held at the first RC meeting which took place in September 2023. Implemented
Risk management arrangements for project and programmes require review.	Usually, Prince2 principles include a sound basis for risk management at this level. It is proposed that those responsible for major programmes / projects are included within the risk management group above. Risk, Insurance and Information Governance Manager / Directors September 2023	Programme and Project representatives are included in the above. Implemented
The risk policy / procedure needs to be updated to reflect changes and a programme of training is required.	The risk policy / procedure will be reviewed to accommodate the proposed changes and an appropriate programme of training put in place. The approach to risk appetite is to be developed. Risk, Insurance and Information Governance Manager December 2023	The risk management policy and strategy has been refreshed. See 2.2 below. Implemented

2.2 The risk management policy and strategy 2021-23 has been refreshed. Key changes to the document detailed at **Appendix 1** are:

- Update of role titles e.g., Head of Assurance, Assurance Team and complete refresh of roles and responsibilities at Appendix A in line with best practice.
- Inclusion of new governance arrangements now in place e.g., Assistant Directors Delivery Group, Strategic Risk Management Group.
- Update of risk management arrangements at 3.2 of the document to include the four T's (tolerate, treat, transfer, terminate) and a working description of the 'three lines approach'.
- A new risk appetite statement at Appendix C.

2.3 Following approval by the Panel and subject to any amendments, the risk management policy and strategy 2021-23 will go to Executive Board.

3. STRATEGIC RISK REGISTER – QUARTER TWO (SEPTEMBER 2023)

3.1 The strategic risk register has been updated for Quarter Two (September 2023) and is detailed at **Appendix 2**. The changes are highlighted on the register in [blue text](#).

3.2 The strategic risk scores are summarised in the risk heat map below:

		Impact Level				
		Negligible	Minor	Medium	Major	Major Disaster
Likelihood		(1)	(2)	(3)	(4)	(5)
Almost Certain	(5)					
Very likely	(4)			8	2,3,4,5	1
Likely	(3)			6	7	
Unlikely	(2)				9,10,11,12	
Very Low	(1)					

- | | |
|-------------------------------|-----------------------------------|
| 1. Financial Resilience | 7. Health & Social Care Reform |
| 2. Capacity | 8. Inability to Drive Growth |
| 3. Safeguarding | 9. Key Supplier / Partner Failure |
| 4. Adverse Inspection Results | 10. Housing Supply |
| 5. Cyber Security | 11. Resilience |
| 6. Wider Socio Economic | 12. Climate Change |

4. RECOMMENDATIONS

4.1 As set out at the front of the report.

RISK MANAGEMENT POLICY AND STRATEGY 2023 - 2025



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RISK MANAGEMENT POLICY STATEMENT

1. DEFINITION OF RISK MANAGEMENT

“All activities of an organisation involve risks. Risk management aids decision making by taking account of uncertainty and its effect on achieving objectives and assessing the need for any actions”. To control the risks an appropriate risk management process should be in place which requires “identification and analysis of risks, evaluating their likelihood and potential impact to determine 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 an organisation caused by undesired events”.

2. POLICY STATEMENT

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

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

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

3. OBJECTIVES

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

- Effectively manage potential threats and opportunities to the Council achieving its strategic objectives;
- Minimise the impact and/or likelihood of risks occurring in order to prevent death, injury, damage and losses, and reduce the cost of risk;
- Minimise the impact and/or likelihood of risks that could damage the reputation of and public confidence in the council;
- Raise awareness of risk management to all members and staff, making it an integral part of their thinking and actions and integrate risk management into the culture of the Council and its processes;
- Ensure a robust framework is in place to identify, assess and manage the risks facing the Council;
- Anticipate and respond to changing social, economic, environmental and legislative requirements;
- Inform policy and operational decisions by identifying risks and their likely impact and thereby improve use of resources.

These objectives will be achieved by: -

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management;
- Maintaining risk registers at Strategic and Service levels, with risks linked to the Council's strategic, operational and partnership objectives;
- Reporting of risks to Service Management, Assistant Director Delivery Group (ADDG), Single Leadership Team (SLT) and the Audit Panel to ensure risk management is an integral part of Council management and decision-making;
- Ensuring the knowledge and skills of those engaged with the risk management process meet best practice by providing risk management training and awareness sessions;
- Purchasing insurance for those risks, which cannot be avoided or reduced further, always retaining risk where this is economically attractive;
- Effective communication with, and the active involvement of, employees in the risk management process, and
- Monitoring arrangements on an ongoing basis.

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

4. RESPONSIBILITY FOR RISK MANAGEMENT

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

RISK MANAGEMENT STRATEGY

1. INTRODUCTION

The Council provides a wide range of services. It is important that risks are managed effectively to prevent death, injury, operational disruption, reputational damage, and protect and preserve our assets from loss or damage that may affect our ability to provide the services to the residents of the Borough.

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

The following methodology describes how to manage the threats and enhance the opportunities to support the efficient achievement of the aims and objectives of the Council: -

- Identify all potential areas of loss;
- Analyse the likelihoods and impacts of these risks;
- Work out how to mitigate or control the potential losses; and
- Continually review what is done to make sure actions are effective.

2. THE BENEFITS OF RISK MANAGEMENT

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

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

3. THE RISK MANAGEMENT PROCESS

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

3.1 Roles and Responsibilities

Identifying and allocating roles and responsibilities for Risk Management is essential if the strategy is to be developed, implemented, embedded and reviewed effectively. All roles are outlined in **Appendix A**.

3.2 Arrangements for Managing Risks

To manage risks effectively, they need to be systematically identified, analysed, controlled and monitored. The Risk Management Guidelines including the Risk Register Template are detailed in **Appendix B** but a summary of the Council's arrangements is as below.

Risk Identification - Risk cannot be managed unless it is first identified. The aim of risk identification is to identify possible risks that may affect, either negatively or positively, the objectives of the business. Answering the following questions identifies the risk: What can happen? Why can it happen? What are the risks of doing/not doing something?

Risk Assessment and Prioritisation - The risk analysis step will assist in determining which risks have a greater consequence or impact than others, which allows senior management to focus resources on those risks that would significantly impact the Council. Risk analysis involves combining the possible consequences, or impact, of an event, with the likelihood of that event occurring. The result is a 'level of risk'.

Risk Scoring - The methodology for scoring individual risks can be found at Appendix B.

Actions to Mitigate the Risk - This step is about deciding whether risks are acceptable or need treatment.

Risk Acceptance - A risk may be accepted for the following reasons:

Tolerate the risk:

- The cost of treatment far exceeds the benefit, so that acceptance is the only option
- The level of the risk is so low that specific treatment is not appropriate with available resources
- The risk is such that there is no treatment available, for example this action is common for large external risks for which the Council has little or no control.

NB Even when these risks are tolerated, they should still be monitored because future changes may occur that make the risk no longer tolerable.

Treat the risk - Risk treatment involves identifying options for treating or controlling risk, in order to either reduce or eliminate negative consequences, or to reduce the likelihood of an adverse occurrence. When implementing the mitigating actions, it is important to ensure that adequate resources are available, a timeframe has been defined and responsibilities have been assigned for monitoring progress against the actions. Escalation to SLT may be required if these are out of your control or need to be shared with other services. Most strategic and directorate risks are examples of this.

Transfer the Risk - Transference is a risk management strategy which involves the transfer

of the impact and management of the risk to someone else. Purchasing insurance is a common example of transferring risk from an individual or entity to an insurance company.

Terminate the risk - Terminating Risk is the simplest and most often ignored method of dealing with risk. It is the approach that should be most favoured where possible and simply involves risk elimination. This can be done by altering an inherently risky process or practice to remove the risk. The same can be used when reviewing practices and processes in all areas of the business. An example of this would be stopping a high-risk operation or activity.

If an item presents a risk and can be changed or removed without it materially affecting the business, then removing the risk should be the first option considered; rather than attempting to treat, tolerate or transfer it.

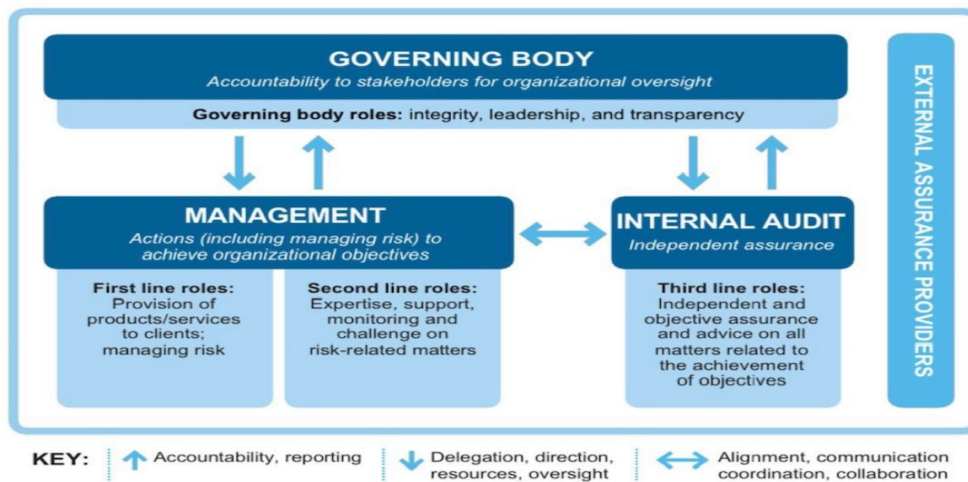
Three Lines of Assurance

Strategic and directorate risk registers are produced by assessing the risk factors that could potentially impact on the Council's ability to deliver its strategic plan. This assessment ensures that there is the right balance of measures in place to control the potential risk to the Council's objectives. Risks are assessed based on their likelihood of occurrence and potential impact.

By multiplying these scores together, each risk receives a score. The 3 lines of assurance against each risk are then considered as follows:

- 1st line – the day to day operations of the internal control systems to mitigate the risk.
- 2nd line – management oversight and monitoring of controls in place to mitigate the risk.
- 3rd line – independent assurance from internal / external audit and other assurance sources of controls in place to mitigate the risk (e.g. OFSTED, CQC).

The IIA's Three Lines Model



Where risks are outside of the risk appetite or target, they are required to be actively managed to bring them back within tolerance or target.

3.3 Monitoring Risks

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

- **Assurance Team**

The risks recorded in the Risk Register Templates will be reviewed and challenged by the Assurance Team to ensure that risks have been captured in relation to the specific service area or unit and also to identify any potential areas, which require support or training.

- **SLT and ADDG**
SLT and ADDG will receive quarterly reports on the Strategic Risk Register and any significant operational/service risks and call managers to account to challenge and learn from risk management experience across the council. This is informed by directorate risk champions who form the Strategic Risk Champions Group.
- **Audit Panel**
The Audit Panel receives quarterly progress reports including the Strategic Risk Register providing an update for members on risk management activities to enable them to challenge the risk management process in place in order to ensure that risks are being properly managed across the Council.

Internal Audit will carry out reviews of the Council's risk management arrangements to provide independent assurance as to their effectiveness. In view of the Head of Assurances key role in risk management, the audit will be undertaken by an Independent of the audit function.

Internal Audit has adopted a risk based approach and is therefore giving assurance that risks are being identified, assessed and managed constantly throughout the year whilst delivering the Annual Audit Plan. Their work is identified in the 3rd line of assurance.

The Head of Assurance reviews the Strategic Risk Register as part of the audit planning process to ensure that the strategic risks are used to inform the Internal Audit Plan.

3.4 Training and Communication

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

- Assurance Team
- Corporate Risk Champions Group
- Assistant Director Group
- Service Unit Managers
- Single Leadership Team

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

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

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

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

3.5 Review of Risk Management Strategy

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

4. RISK APPETITE

Risk appetite can be defined as “the amount and type of risk that an organisation is prepared to seek, accept or tolerate”.

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

It is important to note that risk appetites may often vary across different types of risk at different times, and may even vary across directorates. An organisation’s overall risk appetite can often be a composite or aggregate of these different risk appetites or be individual dependent on the risk.

The Council’s current approach to risk appetite is set out in the appetite statement at **Appendix 3**.

5. RISK MATURITY

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

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

The Council’s aim is to be risk managed.

6. PARTNERSHIPS

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

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

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

7. INSURANCE COVER

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

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

8. CONCLUSION

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

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

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

ROLES AND RESPONSIBILITIES

<u>Group</u>	<u>Role</u>
Elected Members of the Council	<p>All Members have strategic responsibility for risk management as part of their responsibility for governing the delivery of local services. The Council approves the Annual Governance Statement which includes commentary on risk management, how it has been applied during the year and how effective the arrangements are.</p> <p>Members should seek to explore and understand service risks in the process of formulating policy and decision making.</p> <p>All decisions put before Members include information on the risk impact of making these decisions, and the risk of not making the decision.</p>
Audit Panel	<p>Have overall responsibility for the direction of Risk Management Strategy.</p> <p>Members have responsibility for embedding risk management throughout the Council, including developing, approving, and challenging the Risk Management Framework.</p> <p>Approve the Risk Management Policy & Strategy.</p> <p>Consider the effectiveness of the Council's risk management arrangements as part of seeking assurance on the overall governance and control environment.</p> <p>Seek assurance that action has been taken on risk-related issues identified by Internal and External Audit.</p> <p>Ensure that the Council's Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.</p> <p>Attend risk management training</p>
Chief Executive	<p>Has the responsibility for maintaining a sound system of internal control which manages the key risks to the achievement of the Council's policies, aims and objectives. Also has a key role to play in promoting and supporting the Risk Management Strategy.</p>
Single Leadership Team	<p>Contribute towards the identification and management of strategic and cross cutting opportunities and threats facing the Council.</p> <p>Receive and consider reports on key strategic risks, including the Annual Governance Statement</p> <p>Review and approve the Strategic Risk Register on a regular basis.</p> <p>Promote the integration of risk management principles and risk awareness into the culture of the Council and its partners.</p>

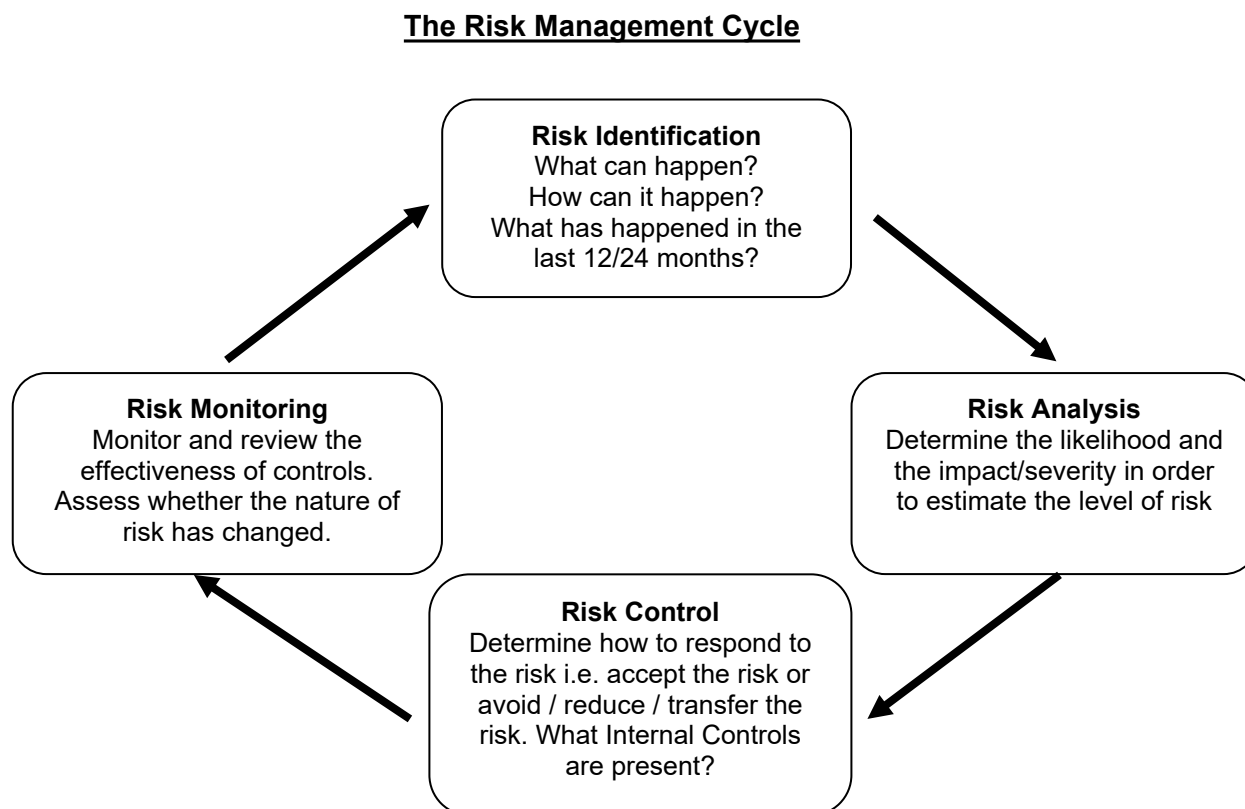
<u>Group</u>	<u>Role</u>
Assistant Director Delivery Group	<p>Own and address the management of Directorate risks.</p> <p>Ensure the risk management framework is operational and embedded within each Directorate.</p> <p>Escalate relevant risk up to the SLT for inclusion in the strategic risk register.</p> <p>Ensure risk management is a regular item on directorate team meetings.</p> <p>Nominate a Risk Champion from the Directorate Management Team to sit on the Strategic Risk Management Group.</p>
Heads of Service / Service Unit Managers	<p>Identify, analyse, and profile service risks, including new and emerging risks.</p> <p>Regularly update and maintain service and project risk profiles and risk registers.</p> <p>Ensure risk management is a regular item at team meetings.</p> <p>Maintain awareness of and promote the approved risk management policy and strategy to all staff and partners, where relevant.</p> <p>Ensure that risk management is incorporated into service plans, business plans and performance management.</p> <p>Ensure compliance with all risk management procedures which are integrated within corporate procedures and strategies.</p> <p>Own and address the management of risks on the Departmental Risk Registers.</p> <p>Ensure high risks are raised with the Director and considered for the Directorate Risk Register.</p> <p>Development, implementation, and review of mitigation plans.</p> <p>Identify training needs and ensure these are met.</p> <p>Encourage staff to develop and maintain a positive risk management approach.</p>
Head of Assurance, Risk & Insurance and Information Governance Manager	<p>To advise where necessary all the above groups.</p> <p>To maintain the corporate policies and procedures in respect of risk management.</p> <p>To facilitate the reporting of progress in respect of risk management.</p> <p>To report to the Audit Panel on the Council's Risk Management arrangements and via the Annual Governance Statement.</p>
Internal Audit	<p>Provide an independent review of the corporate approach to risk management and compliance with it.</p> <p>Contribute to the accuracy and integrity of the strategic risk register (as part of the risk-based approach to audit), with particular regard to the effectiveness of mitigating actions and fraud risk.</p> <p>Uses the Council's risk registers to formulate the annual audit plan and employs a risk-based approach to auditing.</p>

<u>Group</u>	<u>Role</u>
Strategic Risk Management Group	<p>Have oversight of the arrangements in place in respect of the management of all risks on the Strategic Risk Register and Directorate Risk Registers.</p> <p>To review and make recommendations to Directorate, ADDG and SLT in respect of risk management.</p> <p>To oversee and agree changes and additions to existing corporate policies, guidelines, and procedures in respect of risk management.</p>
All Employees	<p>Maintain an awareness of risks and contribute to the control / action process as appropriate.</p> <p>Complete all allocated risk management training.</p>

RISK MANAGEMENT GUIDELINES

1 RISK MANAGEMENT CYCLE

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



2 RISK REGISTER

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



Copy of Resources
Directorate Risk Regis

2.2 The Risk Register requires the following:

- Risk link to the corporate / directorate plan
- Reference number for identification
- Risk description
- Risk scores (inherent, residual and target)
- Risk owner
- The three lines of assurance against the risk
- Actions, responsibilities and timescales where the risk is not at target, or within appetite.
- Red, Amber, Green (RAG) rating of current risk status.

2.3 The risk rating is arrived at by multiplying the impact score by the likelihood score. The cell within the spreadsheet is formatted so that the cell will be colour coded as shown below.

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

Inherent, Residual and Target Risk Scores

These must be captured for every risk.

The Inherent Risk Rating is the gross score calculated on the basis that no control measures have been put in place, or that all controls are failing.

The Residual Risk Rating is the net score taking the positive effect of all current existing controls into consideration.

The Target Risk Rating is the net score to bring the risk within appetite i.e. where the risk score needs to be had all mitigations been effective.

The reduction in the Residual Risk Rating in comparison to the Inherent Risk Rating is a measure of the effectiveness of risk management controls.

2.4 Risk Scoring Descriptors

Guidance on how to assess and determine which score to assign to both the impact and likelihood of each risk is provided below.

Impact Scores

1	Very Low	No injuries beyond 'first aid' level, No significant disruption to service capability, Unlikely to cause any adverse publicity, Low impact on a strategic objective, Low impact on an operational objective, Can be easily remedied, Low stakeholder concern, Damage to an individual's property without any injury.
2	Minor Impact	Minor disruption to the achievement of a strategic objective, Minor disruption to the achievement of an operational objective, Short term effect which may be expensive to recover from. Creates minor stakeholder concern, Minor injury to an individual or several people.
3	Moderate Impact	Medical treatment required - long-term injury, Short-term loss disruption of service capability, Needs careful public relations, No more than 10 people involved, High potential for complaint, litigation possible, Breaches of regulations/standards, Delays the achievement of a strategic objective, Delays the achievement of an operational objective, Medium term effect on recovery, Creates moderate stakeholder concern, Severe injury to an individual or several people.

4	High Impact	Extensive, permanent injuries, long-term sick, Medium-term loss of partnership capability, Adverse local publicity, Up to 50 people involved, Litigation to be expected, Breaches of the law punishable by fines only, Major delay in the achievement of a strategic objective, Major delay in the achievement of significant operational objective(s), Significant delays in recovery. Creates significant stakeholder concern, Major injury to an individual or several people.
5	Severe Impact	Death, Adverse national publicity, More than 50 people involved/affected, Litigation almost certain and difficult to defend, Breaches of law punishable with imprisonment, Prevents the achievement of a strategic objective, Prevents the achievement of significant operational objective(s), Very difficult and possibly long term recovery, Creates major stakeholder concern.

Likelihood Scores

Grade Descriptor	1	2	3	4	5
Percentage	<15%	15-39%	40-59%	60-79%	>80%
Probability	Only occur in exceptional circumstances	Unlikely to occur	Reasonable chance of occurring	More likely to occur than not	Almost certain or happening now

- 2.5 Updated copies of Risk Registers need to risk.management@tameside.gov.uk so that a central depository can be maintained.
- 2.5 Risk Registers need to be regularly reviewed once completed to ensure they are still relevant and to capture any changes to risk to risk rating or the controls in place. Where proposed actions are identified to further mitigate a risk these need to be monitored more closely to ensure the desired outcome is achieved.
- 2.6 Risk registers relating to specific programmes or projects (including service redesigns) need to be revisited on a regular basis to ensure that the risks are managed. These risks will be captured by the accepted programme / project approach engaged for the project e.g. Prince 2.

3 SUPPORT AVAILABLE

- 3.1 Support and further guidance on preparation of risk registers, or any aspect of risk management, is available from the Assurance Service.
- 3.2 Support can be tailored to meet the specific needs of individual Services, teams and managers. To discuss your requirements please contact the Risk, Insurance and Information Governance Team on risk.management@tameside.gov.uk.

RISK APPETITE STATEMENT

Risk Appetite Definition

Risk appetite is best summarised as *“the amount and type of risk the Council is willing to secure its strategic objectives”*.

Why is Risk Appetite Important?

Clearly defining the council’s appetite for risk provides guidance to all officers, managers, members and partners on the level of risk which can be accepted by the council and the level of risk which needs to be avoided or reduced by way of mitigation as a priority in the pursuit of our objectives.

The benefits of adopting a risk appetite include:

- Supporting informed decision-making
- Reducing uncertainty
- Improving consistency across governance mechanisms and decision-making;
- Supporting performance improvement
- Focusing on priority areas within an organisation
- Informing spending review and resource prioritisation processes.

Risk Appetite Statement

The Council aims to be risk aware, but not overly risk averse and to actively manage business risks to protect and grow the organisation. To deliver its strategic aims, the organisation recognises that it will have to take and manage certain risks.

Risk Appetite	Description
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where the Council has identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

Appetite levels will be varying, for example, for certain risk categories our risk appetite will be cautious whereas the Council may be open/eager for risk and willing to carry risk in the pursuit of important objectives. The risk appetite for each category will influence the acceptance of a particular risk and the extent of the mitigation that is required.

The Council’s upper limit appetite levels for these principal categories of risk are as follows:

- **Governance Risks** – The council has a **Minimalist** appetite for risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.
- **Service Provision/Business Continuity Risks** – The council has a **Cautious** appetite for Risks arising from inadequate, poorly designed or ineffective/inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.
- **Legal & Regulatory risks** – The council has a **Minimalist** appetite for risks arising from a defective transaction, a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that result in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets (for example, intellectual property).
- **Financial risks** – The council has a **Cautious** appetite for risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting.
- **Project/Programme risks** – The council has a **Cautious/Open** appetite for risks that change programmes and projects are not aligned with strategic priorities and do not successfully and safely deliver requirements and intended benefits to time, cost and quality.
- **Reputational risks** – The council has a **Minimalist** appetite for risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations

Corporate Plan Link:	Risk No.	Risk Description	Inherent Impact Score	Inherent Likelihood Score	Risk Owner (Director)	Inherent Risk Rating (Impact x Likelihood)	Residual Impact score	Residual Likelihood score	Residual Risk rating (Impact x Likelihood)	Target Score (Impact x Likelihood)	3 Lines of Assurance			Actions / Responsibilities / Timescales	Assurance Rating (RAG)
											1st Line	2nd Line	3rd Line		
											Day to day operations of internal control systems	Management oversight and monitoring controls	Independent assurance from internal / external audit and other assurance sources (OFSTED, CQC etc.)		
Starting Well, Living Well, Ageing Well, Great Place Inclusive Growth	1	Financial Resilience The Council is unable to deliver its Medium Term Financial Plan. Failure to deliver services within available budgets and provide for future financial stability, including the maintenance of the Council's resource base and council tax collection and dealing with the current cost pressures and demand levels in Children's Services, combined with an uncertain macro economic outlook (inflation, cost of living, contracts linked to inflation, interest rate rises).	5	5	Ashley Hughes (Director of Resources)	25	5	4	20	15	Budget consultation framework, day to day internal budgetary control, approved Medium Term Financial Strategy and Treasury Management Strategy	Budget monitoring reports to SLT, Executive. Scrutiny of Budget. Consultation. Council approval of Budget. STAR chambers process in place	External audit financial statements (going concern opinion) CIPFA Financial management and Resilience Reviews. Internal Audit planned reviews 2023/24 of budgetary control, budget challenge, medium term financial planning, agency workers, direct payments	Spend control measures in place - SLT, March 2024 Medium Term Financial Strategy being drafted / refreshed - Director of Resources, October 2023 Delivery of budget 2023/24 - SLT March 2024 Early identification of savings required for 2024/25 as part of budget setting - SLT, October 2023 Engagement of External Support for Transformation (Impower)-Director of Resources, October 2023	
Starting Well, Living Well, Ageing Well, Great Place Inclusive Growth	2	Capacity Capacity of the workforce and/or the market is not sufficient to meet the Council's increasing demands, including notably external pressures arising from health and care systems.	4	5	Single Leadership Team	20	4	4	16	12	Workforce and OD strategies. Appraisals and performance management. Joint working with partners in health. Day to day commissioning and contract management, supplier due diligence.	Monitoring of demand and the provider markets at strategic level, budget monitoring reports, forecasting future demand, market sufficiency plan (new and Published), market position statement (due). Oversight at SLT, Executive, Scrutiny, STAR Chambers	Monitoring of CQC and other inspection reports from providers, Planned 2023/24 Internal Audits of commissioning, strategic procurement, recruitment and retention.	Market Sufficiency plan published - March 2023 (national requirement), Market Position Statement on forward plan for Cabinet in Sept 2023 to support market shaping, regular visits from the Quality improvement Team to support prep for CQC and improve outcomes, weekly updates from Commissioning to Adults Leadership Team, regular Provider Forums, contract monitoring in place Tracey Harrison - AD Adults, Trevor Tench, March 2024	
Starting Well, Living Well, Ageing Well	3	Safeguarding Inability to provide effective safeguarding outcomes for citizens by failing to prevent and investigate safeguarding concerns as they may arise.	5	5	Allison Parkinson (Director of Childrens) Stephanie Butterworth (Director of Adults)	25	4	4	16	12	Day to day statutory performance of roles and assurances through DASS and DCS. Operations in Childrens and Adults services ensuring quality, i.e. staff supervision, training and development, prompt escalation of issues. Up to date policies and procedures. Recruitment to key posts, fit for purpose structures.	SLT, Cabinet and Scrutiny oversight. Monitoring of improvement plans by DFE Improvement Board, SLT, Executive, Scrutiny and Education Attainment and Improvement Board	Safeguarding boards (adults and children's). Regular OFSTED and CQC Inspections. Planned 2023/24 internal audits of schools, children's iprovement planning	Improvement Plans to be delivered - Monthly update of Children's Improvement plan by Improvement Board & 6 monthly DFE Reviews, Allison Parkinson (Director of Childrens) , March 2024 Safeguarding lead adults appointment to commence 1 November 2023 and Quarterly reports to feature safugarding implementation of TRAM Model November 2023, Stephanie Butterworth (Director of Adults)	

Corporate Plan Link:	Risk No.	Risk Description	Inherent Impact Score	Inherent Likelihood Score	Risk Owner (Director)	Inherent Risk Rating (Impact x Likelihood)	Residual Impact score	Residual Likelihood score	Residual Risk rating (Impact x Likelihood)	Target Score (Impact x Likelihood)	3 Lines of Assurance			Actions / Responsibilities / Timescales	Assurance Rating (RAG)
											1st Line	2nd Line	3rd Line		
											Day to day operations of internal control systems	Management oversight and monitoring controls	Independent assurance from internal / external audit and other assurance sources (OFSTED, CQC etc.)		
Starting Well	4	Poor Performance Failure to effectively measure and monitor our performance outcomes leading to adverse service delivery to citizens and poor inspection results from external assessment agencies e.g. OFSTED, CQC, LGA Peer Assessment.	5	5	Single Leadership Team	25	4	4	16	6	Day to day performance management systems in place within directorates ensuring quality, i.e. staff supervision, training and development, prompt escalation of issues. Up to date policies and procedures. Recruitment to key posts, fit for purpose structures.	SLT, Cabinet and Scrutiny oversight of performance measures. Monitoring of improvement plans by DFE Improvement Board, SLT, Executive, Scrutiny and Education Attainment and Improvement Board	OFTSED Inspection outcomes. Planned 2023/24 internal audit of schools, children's improvement planning. Monthly on site visits by DFE Improvement Advisor. External support from Salford & Stockport SLIP DFE & CQC monthly monitoring of WSOA, Re-inspection under the new January 2023 framework expected approx autumn 2024.	SEND Action plan delivery - Autumn2023/Winter2024. Improvement Plans to be delivered - Monthly update of Children's Improvement plan by Improvement Board & 6 monthly DFE Reviews, Allison Parkinson (Director of Childrens), March 2024 Preparation for forthcoming OFSTED, Children's DLT Oct 2024 Preparation for LGA Peer Assessment - Simon Brunet, Head of Policy, Performance December 2023	
Corporate Support and Enabling Services	5	Cyber Security Risk of a successful cyber-attack on the Council's infrastructure would have significant impact on the availability of all ICT systems over a sustained long-term period. This could impact some or all internally operated services and those consumed by our customers and residents. Data loss could also be a consequence.	5	5	Ashley Hughes (Director of Resources)	25	4	4	16	6	Day to day cyber safeguarding controls, firewall, patching. Information governance controls to protect data.	Information Governance Group which meets every 2 months. For cyber, see action required column.	Cyber security internal audit 2023/24. Cyber 360 from the LGA, AD IT March 2024	Pens testing, AD IT Dec 2023, Cyber plus accreditation, AD IT March 2024 Development of 2nd line, KPI's exception reporting to ADDG, SLT, Cabinet, Scrutiny Dec 2023	
Starting Well, Living Well, Ageing Well, Great Place Inclusive Growth	6	Wider Socio Economic Environment - Cost of Living The risk that the Cost of Living crisis causes budget management pressures to Council Services, possible increases in community demand for health and social care services, and the detrimental effect to Tameside poverty levels and health. The cost of living crisis affects businesses in many ways, such as, reduced consumer demand, higher operating costs, and lower investment and growth.	5	5	Single Leadership Team	25	5	3	15	6	Day to day money advice support for residents, public health, day to day management of growth projects and inflationary pressures. Support in place via welfare rights/customer services advice re. debts, benefits and work. Review of HSP and more targeted implementation process. Co-ordinating Government Support to ensure it reaches those people who need it. Poverty action plan with cross-directorate delivery. Council has voluntarily adopted the Socio-economic Duty.	Monitoring of exchequer collection rates. Poverty Strategy monitored via Health and Wellbeing Board. Poverty Sub group in place with Borough action plan and Poverty Monitor to identify data trends. Oversight by SLT, Executive and Scrutiny	Poverty Strategy implementation monitored via Tameside Health and Wellbeing Board. Planned 2023/24 internal audit review of place, major programmes (growth)	Poverty Strategy Action Plan sub group (HWBB) initially met June and will meet quarterly. Internal group to Council meeting bi-monthly. Poverty monitor scrutinised - update due to HWBB Jan 24.	
Starting Well, Living Well, Ageing Well, Great Place Inclusive Growth	7	Health & Social Care Reform Implementation of a GM Integrated Care System may increase the operational and financial risks of the Council and may delay our progress in implementing local strategies to improve population health outcomes.	5	5	Sandra Stewart (Chief Executive)	25	4	3	12	6	Day to day governance arrangements in place to support the next stage of health and social care integration.	ICS Board oversight	Planned 2023/24 audit of health and social care reform	TBC	

Corporate Plan Link:	Risk No.	Risk Description	Inherent Impact Score	Inherent Likelihood Score	Risk Owner (Director)	Inherent Risk Rating (Impact x Likelihood)	Residual Impact score	Residual Likelihood score	Residual Risk rating (Impact x Likelihood)	Target Score (Impact x Likelihood)	3 Lines of Assurance			Actions / Responsibilities / Timescales	Assurance Rating (RAG)
											1st Line	2nd Line	3rd Line		
											Day to day operations of internal control systems	Management oversight and monitoring controls	Independent assurance from internal / external audit and other assurance sources (OFSTED, CQC etc.)		
Great Place Inclusive Growth	8	Inability to Drive Growth Tameside is unable to exploit growth opportunities and this has a detriment to residents, local businesses and the borough's future prosperity.	4	5	Julian Jackson (Director of Place)	20	3	4	12	9	Day to day work to exploit growth opportunities and funding, strategic partnering. Implementing the inclusive growth strategy.	Oversight by SLT, Executive and Scrutiny	Planned 2023/24 internal audit review of Place - major projects and capital programme	The Council will continue to engage with all funding/investment opportunities working closely with the market, Julian Jackson Director of Place, March 2024 Building a project pipeline of schemes to drive inclusive growth, AD Investment & Development Housing, March 2024.	
Corporate Support and Enabling Services	9	Key Supplier / Partner Failure In current economic climate and /or cashflow issues, supplier failure may lead to disruption to services affecting our residents.	4	5	Single Leadership Team	20	4	2	8	6	Day to day operations of procurement and commissioning teams, supplier due diligence, contract management register.	Oversight by SLT, Executive and Scrutiny	Planned 2023/24 internal audits of strategic procurement, commissioning	Development of business continuity arrangements for key supplier failure, ADDG, December 2023	
Starting Well, Living Well, Ageing Well, Great Place Inclusive Growth	10	Housing Supply Insufficient supply and range of available housing means that targets for affordable housing are not met and strategic priorities to ensure the needs of current and future residents of Tameside are not achieved, ultimately with more residents becoming homeless.	4	5	Julian Jackson Director of Place	20	4	2	8	6	Day to day implementation of housing strategy, homelessness provision.	Oversight by SLT, Executive and Scrutiny	Planned 2023/24 internal audit review of place, major programmes (growth)	Review of housing and homeless functions to create greater synergy / holistic offer. Place DMT, March 2024 Accessing GMCA and available government funding, Place DMT, March 2024	
Starting Well, Living Well, Ageing Well, Great Place Inclusive Growth	11	Resilience Resilience of teams to respond to disruption to services (e.g. seasonal flu pandemics, industrial action), impacts ability to deliver priorities and safe services to residents; whilst also ensuring the safety and wellbeing of staff.	4	5	SLT	20	4	2	8	6	Tests of arrangements and lessons learned in place. Training. Monitoring of trends in public health outcomes and mortality via public health intelligence team and Health Protection lead. Operational oversight via Tameside multi-agency Health Protection Board. <i>More generally, business continuity arrangements have been reviewed by services over the Summer - See action column.</i>	Regular oversight of emergency planning by Chief Officers Group, Civil Contingencies Unit .	NW and national UKHSA Health Protection Surveillance	Business Continuity arrangements to be reviewed and plans implemented - Interim Head of Audit, October 2023 COVID/Flu group in place standing up for Winter planning mid July 2023	
Starting Well, Living Well, Ageing Well, Great Place Inclusive Growth	12	Climate Change The Council does not produce, or deliver on, a sufficiently ambitious plan to become zero carbon or implement measures effectively to adapt to the impacts of climate change on Tameside in the longer term (e.g. increased risks of extreme weather, flooding and heat).	4	5	Julian Jackson Director of Place	20	4	2	8	6	Specifically appointed climate change officer. Day to day implementation of the climate change strategy and action plan.	Oversight by SLT, Executive and Scrutiny of climate change strategy	LGA peer assessment - December 2023 .	Strengthening climate change function (appointing a manager) and implementation of climate change strategy and action plan. AD Strategic Property, March 2024.	
Emerging Risks															
Equal Pay Claims arising from Birmingham City Council current situation (currently being considered as a Resources Directorate level risk)															
Academisation (currently being considered as a Childrens Directorate level risk)															
Failure to fully capitalise on digitalisation agenda (opportunity) and AI (as well as risks associated with that) (currently being considered as a Resources Directorate level risk).															

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Report to:	Audit Panel
Date:	Tuesday, 21 November 2023
Reporting Officer:	Chair of the Audit Panel
Subject:	CIPFA Audit Committee Effectiveness - Self-Assessment
Report Summary:	For the Audit Panel to collaboratively discuss and agree the proposed draft annual self-assessment checklist at Appendix 1 based on the latest CIPFA guidance (2022) on the function and operation of Audit Committees. This follows the report to Audit Panel in March 2023. Link: Audit Panel Report CIPFA Effectiveness Appendix 1 Appendix 2 Appendix 3 Appendix 4 Appendix 5
Recommendations:	That the Audit Panel discuss and agree the proposed draft annual self - assessment checklist and any actions required to improve effectiveness.
Corporate Plan:	Through the Terms of Reference, the Audit Panel provides assurance to the Council that the risks associated with the delivery of Corporate Plan are being managed.
Policy Implications:	Sound governance arrangements, including an effective Audit Panel helps to ensure that the Council's plans, strategies, and policies are delivered.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	No financial implications arising.
Legal Implications: (Authorised by the Borough Solicitor)	Audit Panels are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Undertaking a self-assessment of their effectiveness, supports the Panel's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
Risk Management:	A significant aspect of the Audit Panel's oversight is risk management. The Panel's review of its effectiveness in this area, provides further assurance and confidence that the Council's most significant / material risks are being managed appropriately.
Access to Information:	Non - confidential
Background Information:	The background papers relating to this report can be inspected by contacting Carol McDonnell, Head of Assurance: Telephone: 0161 342 3231 e-mail: Carol.McDonnell@tameside.gov.uk

1. INTRODUCTION

- 1.1 CIPFA have recently published an updated Statement and Guidance on the function and operation of Audit Committees in local authorities and police bodies, replacing their 2018 guidance.
- 1.2 The new guidance includes improvement tools for the Committee to use to inform an evaluation of the Committee's effectiveness. The Guidance comprises of a high-level effectiveness tool to undertake a self-assessment.

2. SELF-ASSESSMENT

- 2.1 The self- assessment was circulated to Audit Panel Members for comment on 26 September 2023 by Councillor Naylor (Former Chair of the Audit Panel) requesting comments to be returned by 13 October 2023. Comments received have been incorporated into the draft checklist at **Appendix 1** which Members are now requested to discuss and agree.
- 2.2 Proposed improvements arising from Appendix 1 for Members' comments and / or to add to are as follows:

Ref	Improvement Proposed	Action / Responsibility / Timescale
4, 8	The evaluation asks whether the Audit Panel's terms of reference clearly sets out the purpose of the Panel in accordance with CIPFA's 2022 Position Statement (4) and whether the Panel publishes an annual report in accordance with the 2022 guidance, including compliance with the CIPFA Position Statement 2022.	The Audit Panel's terms of reference will be reviewed to include specific reference to CIPFA's 2022 Position Statement. Head of Assurance March 2024
	While the current terms of reference for the Panel states 'to undertake the functions of an Audit Committee in accordance with the CIPFA Statement on Audit Committees in Local Authorities', it does not specifically reference the 2022 guidance.	
	While the Audit Panel's Annual Report for 2022/23 met the requirements of the code, it was published prior to this self-evaluation (Augst 2023). The 2023/24 Annual Report should include the outcome of this self-evaluation against the 2022 Code.	The 2023/24 Audit Panel Annual Report will include the outcome of the self-evaluation against the 2022 Code. Head of Assurance March 2024
9	The evaluation requests that the Panel's terms of reference explicitly addresses all the core areas identified in CIPFA's Position Statement. While the current terms of reference are comprehensive, further detail could be added to the following sections: <ul style="list-style-type: none"> Internal control arrangements, including financial management, value for money, ethics and standards. Assurance framework. 	The Audit Panel's terms of reference will be reviewed to include specific references outlined. Head of Assurance March 2024

Ref	Improvement Proposed	Action / Responsibility / Timescale
10	The evaluation asks whether over the last year, adequate consideration has been given to all core areas. A new Audit Panel work plan was introduced in August 2023 for 2023/24 which now addresses core areas. This will need to be fully delivered / embedded.	Maintenance and delivery of the new work plan to be undertaken. Head of Assurance March 2024
12	The Code requires the Panel to have met privately with the external auditors and head of internal audit in the last year. While the facility for this exists as part of the new 2023/24 work plan, this is seldom taken up.	To consider holding one designated pre or post Audit Panel meeting per year for a private session with internal and external audit. Head of Assurance March 2024
15	The Code requires an evaluation of knowledge, skills and training needs of the chair and committee members to have been carried out within the last two years. While formal Audit training has been given to members in 2022/23 and 2023/24 a formal evaluation has not yet been completed.	Training evaluation of Chair of Committee members to be undertaken to inform future training provision. Head of Assurance March 2024

3. CONCLUSION

- 3.1 Through this self-assessment, the Audit Panel is able to demonstrate that it has reviewed its own effectiveness and agreed actions for improvement. It is suggested that the Audit Panel monitor improvement against these actions towards the end of this Municipal year as it continues to continuously improve into 2023/24.

4. RECOMMENDATIONS

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

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Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply					Partially complies and extent of improvement needed*					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				

Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:																									
<ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 																									
<ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements 																									
<ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? 																									
Functions of the committee																									
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?																									
Governance arrangements																									
Risk management arrangements																									
Internal control arrangements, including:																									
<ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption 																									
Annual governance statement																									
Financial reporting																									
Assurance framework																									
Internal audit																									
External audit																									
10 Over the last year, has adequate consideration been given to all core areas?																									
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?																									
12 Has the committee met privately with the external auditors and head of internal audit in the last year?																									

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?

- Separation from executive
- A size that is not unwieldy and avoids use of substitutes
- Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation

14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?

15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?

16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?

17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?

18 Is adequate secretariat and administrative support provided to the committee?

19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?

21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?



22 Are meetings effective with a good level of discussion and engagement from all the members?

23 Has the committee maintained a non-political approach to discussions throughout?

Good practice questions	Does not comply					Fully complies
	Partially complies and extent of improvement needed					
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of answers	0	1	2	3	5	
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?						
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?						
26 Do audit committee recommendations have traction with those in leadership roles?						
27 Has the committee evaluated whether and how it is adding value to the organisation?						
28 Does the committee have an action plan to improve any areas of weakness?						
29 Has this assessment been undertaken collaboratively with the audit committee members?						
Subtotal score						
Total score						
Maximum possible score						200**

** 40 questions/sub-questions multiplied by five.

Agenda Item 12.

Report to:	Audit Panel
Date:	Tuesday, 21 November 2023
Reporting Officer:	Carol McDonnell – Head of Assurance
Subject:	Audit Panel Work Programme 2023/24
Report Summary:	This report details the updated Audit Panel Work Programme for 2023/24.
Recommendations:	That the Audit Panel Work Programme for 2023/24 at Appendix 1 is noted.
Corporate Plan:	Having a comprehensive Audit Panel work programme in place, provides assurance to the Council that the Panel is fulfilling its Terms of Reference in accordance with best practice. Through regular risk updates, the Panel seeks assurance that risks associated with the delivery of the Corporate Plan are being managed.
Policy Implications:	As above.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	There are no financial implications directly associated with this report. See also legal implications below.
Legal Implications: (Authorised by the Borough Solicitor)	A dedicated, effective Audit Panel with a comprehensive work programme is key to supporting good governance, strong financial management and effective internal and external audit and is in accordance with the latest CIPFA guidance 'Audit Committees: Practical Guidance for Local Authorities and Police 2022'.
Risk Management:	As above.
Access to Information:	
Background Information:	The background papers relating to this report can be inspected by contacting Carol McDonnell, Interim Head of Audit:  Telephone: 0161 342 3231  e-mail: carol.mcdonnell@tameside.gov.uk

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APPENDIX 1



AUDIT PANEL WORK PLAN 2023/24

Item	Lead	Aug 2023	Sep 2023	Nov 2023	Jan 2024	March 2024	Comments
Finance							
Annual Treasury Report / Prudential Indicators	S151	✓					
Treasury Update	S151			✓	✓		
Draft Statement of Accounts	S151	✓					2022/23
Audited Statement of Accounts for Approval	S151	✓			✓	✓	2020/21 (Aug 23), 2021/22 (Jan 24), 2022/23 (Mar 24)
Annual Report of Exceptions to Contract Procedure Rules	S151/DMO				✓		
CIPFA Financial Management Code / Local Audit Update	S151				✓		Only relevant if updates to guidance
Internal Audit							
Chair of the Committee's Annual Report	HoA	✓					
Internal Audit Annual Report	HoA	✓					
Internal Audit Plan, Charter & Protocol	HoA	✓*				✓	*Refreshed Plan
Internal Audit Progress Report	HoA			✓		✓	
Public Sector Internal Audit Standards external review	HoA					✓	
Quality Assurance & Improvement Programme	HoA					✓	
Counter Fraud Update Report Including Counter Fraud & Corruption / Whistleblowing / Anti Money Laundering / Prevention of Tax Evasion Policies	HoA				✓		
Governance & Performance							

APPENDIX 1

Item	Lead	Aug 2023	Sep 2023	Nov 2023	Jan 2024	March 2024	Comments
Annual Governance Statement	S151/HoA	✓					
Annual Governance Statement – Actions Follow Up	S151/HoA			✓			
Code of Corporate Governance Review	S151/HoA	*					*To be presented with the AGS
Information Governance Policies e.g., Data Protection, GDPR	HoA					✓	
Annual Investigatory Powers Act Report	DMO					✓	
CIPFA Audit Committee Guidance and Effectiveness	HoA			✓			
Assurance Reports from Other Assurance Providers e.g., OFSTED, CQC etc.							As and when received
Risk Management							
Risk Management Policy / Review	HoA			✓*			*Included in risk update
Quarterly Risk Management Updates	HoA	✓		✓	✓	✓	
External Audit							
Tameside Council Audit Completion Report	EA	✓			✓	✓	
Greater Manchester Pension Fund Audit Completion Report	EA	✓		✓	✓	✓	
Tameside Council Audit Strategy Memorandum	EA	✓			✓		
Private Meeting with the Internal and External Auditors	EA/HoA	✓	✓	✓	✓	✓	
External Audit Appointment	S151	✓					
Audit Panel Work Programme / Training							
Audit Panel Work Programme		✓	✓	✓	✓	✓	At every meeting
Audit Committee Training – Webinar (Diana Melville, CIPFA)	CIPFA						Held on 8 August 2023 via webinar.

S151 = Director of Resources / S151, HoA = Head of Assurance, EA = External Auditor (Mazars), DMO = Deputy Monitoring officer