

Audit Completion Report

Tameside Metropolitan Borough Council
– Year ended 31 March 2021

August 2023



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Members of the Audit Panel
Tameside Metropolitan Borough Council
Tameside One
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1 August 2023

Dear Panel Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our revised Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions, following on from the report presented to Audit Panel on 9 November 2021.

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 presented to Audit Panel on 27 July 2021. 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 07721 234 043.

Yours faithfully

Signed: {{_es_:signer1:signature }}

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01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 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;
- Net defined benefit liability valuation; and
- Valuation of property, plant and equipment.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £3m. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, the only matters outstanding relate to receiving the final version of the financial statements and concluding our value for money work, as outlined in section 2. The results of our value for money work will be communicated in our Auditor's Annual Report.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



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.



Value for Money

We anticipate reporting one significant weakness in relation to accounts preparation. Further detail on our value for money arrangements work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

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. At this stage, we do not expect to complete any detailed work on the return, however if we are asked by the National Audit Office to carry out procedures, we will inform management at the earliest opportunity and proceed.



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 Council and to consider any objection made to the accounts. We have not received any questions or objections in respect of the 2020/21 statement of accounts.





02


Section 02:


Status of the audit


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
Value for Money		Concluding the final elements of our work on the identified risk of significant weakness in relation to the preparation of the financial statements.
Financial statements, Annual Governance Statement 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.

03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in July 2021. 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 £12.0m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements is £11.2m using the same benchmark.

Use of experts

We set out in our Audit Strategy Memorandum our planned use of experts to assist in our audit procedures. There were no changes to our planned approach. We have discussed the findings from our work relating to the items of account where an expert is engaged by management. A summary of these findings is reported in the table below and further detail is provided in Section 6 of this report.

Item of account	Management’s expert	Our expert	Findings from our work
Defined benefit pension liability valuation and disclosures (Council and Group)	Hymans Robertson – Actuary for the Greater Manchester Pension Fund	PwC – Consulting actuary appointed by the National Audit Office	There were no issues arising from the work of our expert.
Property valuations: land & buildings owned by the Council and investment properties	External – Align Property Partners, Sanderson Weatherall and Jacobs	We engaged our own valuers to review valuation of Tameside One and the Council’s share of the land at Manchester Airport	Our work identified material issues in the valuation of the Council’s assets. Further detail is included in section 4.
Financial instrument disclosures	Link Asset Services	We reviewed Link’s methodology to gain assurance that the fair value disclosures of the Council’s financial assets and liabilities are materially correct. We also obtain evidence of Link’s professional qualifications through the National Audit Office.	An amendment has been made to the fair value disclosure on the Council’s loans.
Long Term Investments – Manchester Airport	BDO	Mazars’ Valuations Team	Our in-house valuations team identified lease liabilities omitted from the valuation, resulting in decreases to the valuations in the current and prior year.



04

Section 04: **Significant findings**

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 16 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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4. Significant findings

Significant risks

Management override of controls	<p>Description of the risk</p> <p>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> <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>Our work on management override of controls is complete. There are no matters to bring to the Panel's attention.</p>
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4. Significant findings

Net defined benefit liability valuation	Description of the risk The Council's accounts contain material liabilities relating to the local government pension scheme administered by the Greater Manchester Pension Fund ("GMPF"). The Council relies upon an actuary, Hymans Robertson to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.
	How we addressed this risk Our procedures included: <ul style="list-style-type: none">• corresponding with the GMPF auditor to gain assurance on their audit of GMPF;• assessing the skill, competence and experience of GMPF's actuary, Hymans Robertson including a review of the actuary by our actuarial expert PWC;• challenging the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation;• reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by GMPF Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;• carrying out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation; and• considering the impact of the Covid-19 pandemic on the valuation of the pension fund net liability, in particular considering the impact of any material valuation uncertainties highlighted in respect of property investment valuations at the pension fund level.
	Audit conclusion As part of the audit of GMPF, an unadjusted misstatement was identified relating to the valuation of the GMPF's assets. We estimate the Council's share of this misstatement to be approximately £7.1m on the liability where the pension assets are undervalued. We have included this as an unadjusted misstatement within Section 6 of this report. There are no other issues to bring to the Panel's attention.

4. Significant findings

Valuation of property, plant and equipment and investment properties	<div data-bbox="471 282 2344 428">Description of the risk<p>The Council's accounts contain 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. Due to the high degree of estimation uncertainty associated with these valuations especially within land and buildings, we have determined there is a significant risk in this area.</p></div> <div data-bbox="471 428 2344 806">How we addressed this risk<p>Our audit procedures included:</p><ul style="list-style-type: none">• assessing the skill, competence and experience of the Council's valuers;• reviewing the instructions issued to the valuers by management to ensure they comply with the Code requirements;• considering whether the overall revaluation methodology used by the Council's valuers is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;• understanding the process followed by management to seek assurance that any land and buildings assets not revalued at 31 March 2021 are not materially misstated;• 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;• testing the valuation on a sample of properties;• testing a sample of items of capital expenditure in 2020/21 to confirm that the additions are appropriately valued in the financial statements;• considering the impact of the Covid-19 pandemic on asset valuations, in particular considering the impact of any material valuation uncertainties highlighted.</div> <div data-bbox="471 806 2344 1189">Audit conclusion<p>Our work is now complete.</p><p>We identified errors in the inputs used in the valuer's calculations. The floor area measurements provided to the valuer by the Council did not agree to underlying records. The finance team have worked with estates and the valuer to resolve these discrepancies. In addition, the work carried out by our 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 total adjustment to PPE is £52.6m across Land and Buildings and Surplus Assets.</p><p>We carried out sample testing on the revised valuations. Through this we identified a number of issues remained relating to floor areas and arithmetic errors. We have extrapolated the impact of these errors across the population. The unadjusted error is £0.6m.</p></div>
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4. Significant findings

Valuation of property, plant and equipment and investment properties (continued)	Audit conclusion We have also identified control recommendations in relation to a small number of assets not revalued within the required five year cycle. Further detail is included within section 5 of this report. In respect of investment properties, the issues identified on PPE did not affect our work on investment property valuations. However we identified one issue relating to the Manchester Airport Land valuation. Management's valuer Jacobs provided the original valuation included in the draft accounts, but subsequently amended the valuation following identification of a lease not considered as part of the original valuation. Omission of this lease resulted in an understatement of the valuation amounting to £0.6m. Management received the revised valuation and adjusted for the misstatement. Detail on the adjustment is provided in section 6 to this report.
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4. Significant findings

Key areas of management judgement and enhanced risks

Valuation of shareholding in Manchester Airport	Description of the management judgement
	The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2021. The valuation is determined according to a methodology and applying assumptions.
	How our audit addressed this area of management judgement
	<p>Our approach to auditing the investment in Manchester Airport Holdings Limited includes the involvement of the Mazars in-house valuation team.</p> <p>The Mazars in-house valuation team reviewed the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.</p>
Audit conclusion	
Our work on this area is complete. Our in-house valuation team identified lease liabilities omitted from the valuation as a result of the Airport Group implementing IFRS 16. This resulted in an overvaluation of the shareholding of £8.9m on the opening balance, and £5.4m on the closing balance, totalling £14.3m. This has been adjusted for by the Council.	



4. Significant findings

Schools accounting	Description of the risk
	A number of schools within the Borough transferred to Academy status in 2020/21. As a result of this the associated land and buildings must be derecognised from the Council's accounts.
	How our audit addressed this risk
	We reviewed the Department for Education Academy transfer listing to ensure all transferred schools had been identified for derecognition. For each school we reviewed the capital accounting entries, and confirmed the associated land and buildings were correctly derecognised in line with the requirements of the CIPFA Code.
	Audit conclusion
	Our work is complete and based on the results of our testing there are no matters to bring to the Panel's attention.



4. Significant findings

Qualitative aspects of the Council’s accounting practices

Draft accounts were received from the Council on 19 July 2021. Our 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. These are listed in full in Section 6 of this report.

We have reviewed the Council’s accounting policies and disclosures in the revised Statement of Accounts and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council’s circumstances.

Additional challenges arose on the work relating to valuation of property, plant and equipment. Our testing identified a number of assets where the Council’s estates team were engaged to provide the floor and land areas for relevant assets but these were not up-to-date and contained errors. On inspection of evidence for the floor areas, the measurements within the plans did not agree to the measurements provided to the valuer. We also found that where the valuer sourced comparable land sales data, these were outdated and did not reasonably reflect the value of land in the Tameside area. Our internal expert valuer provided us with information about the wide range of values we might expect to see within the Tameside portfolio. Most of the values used by the Council’s valuer fell outside of this expected range.

The combination of issues in respect of the valuations led to a large valuation movement. The adjustments made, and unadjusted misstatements remaining, are all reported in Section 6 of this report.

Due to the number and scale of adjustments to the draft financial statements we have identified a risk of significant weakness in the Council’s arrangements to secure value for money. More detail is included in section 7 of this report.

The Finance team worked to ensure all relevant adjustments were made to the accounts, and we thank them for their co-operation in responding to our audit queries and actions taken with our findings.

Significant matters discussed with management

During the audit we maintained a regular dialogue with Council officers. Among the matters discussed through these conversations were:

Accounting treatment for the Council’s loan made to Manchester Airport in the year

We discussed the Council’s treatment of its loan as capital expenditure in the context of the Capital Financing regulations and the specific requirements to be met in order to treat loans to other organisations as capital expenditure. The Council provided a detailed explanation and supporting evidence to confirm the loan was provided for capital purposes and the expenditure incurred by the Airport would have been capital had the Council incurred it itself.

Covid-19

We continued to discuss the impact of the Covid-19 pandemic on the Council’s operations and financial statements. In particular, we focussed on the accounting treatment of grant income and the impact of the pandemic on the Authority’s credit loss allowances. We are satisfied there are no issues arising from our work in this area.



4. Significant findings

Significant matters discussed with management (continued)

Accounting for infrastructure assets

The Council holds c.£136m of infrastructure assets on its Balance Sheet as part of its overall balance of Property, Plant and Equipment. During 2022 a national technical issue arose in respect of accounting for infrastructure assets. Normal custom and practice for (highways) infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

In December 2022, the Department for Levelling Up, Housing and Communities (DLUHC) issued a statutory override allowing authorities to account for the replacement of infrastructure assets with the assumption that the replaced component is at nil value. CIPFA provided additional disclosure guidance in January 2023. The Council has taken the decision to apply the statutory override, and has updated its disclosures in line with the CIPFA guidance.

As a result, we undertook audit procedures to ensure the opening net book value of the infrastructure assets is appropriately split between sub-categories of infrastructure assets, the asset lives for each of the sub-categories are appropriate, and the depreciation charge for the year is free from material misstatement. The methodology applied by management was challenged by the audit team. After discussions and adjustments made to the methodology, the audit team is satisfied with the methodology applied by the Council. This identified that the depreciation charge is understated by £2.6m. This has been recorded as a unadjusted misstatement within Section 6.

We are satisfied the Council's revised disclosures comply with the new guidance and appropriately apply the statutory override.

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management in dealing with the volume and technical nature of the queries arising from the number of errors in the draft accounts. This inevitably meant further time was required and led to a delay in completion of our audit work.

The key area of difficulty was in relation to our work on valuation of property, plant and equipment. We experienced delays in obtaining information from management's expert valuer. This was made more difficult because the quality of the information we received was poor, notably in relation to the comparable land data used by the valuer and the floor areas details provided to the valuer by the Council. These issues could have been avoided had management properly reviewed the information provided to the valuer to support the process, and by management then challenging the output from the valuer prior to inclusion in the accounts. We have raised control recommendations within Section 5 to address the lack of review and challenge of the expert valuer's work.

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 2020/21 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. We did not receive any questions or objections to the 2020/21 financial statements.



05

Section 05:

Internal control recommendations

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.	3
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.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	2



5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Description of deficiency

Our work on IT general controls identified that the Council does not have formal disaster recovery provisions in place. The Council is now in the process of commissioning a new Disaster Recovery facility located at Tameside Hospital and the Corporate IT Business Continuity and Disaster Recovery plan is currently going through the internal governance process.

Potential effects

Major incidents or disasters may cause outage of one or more business critical systems, causing data loss, thereby affecting the availability and integrity of information.

Recommendation

In order to avoid data loss due to the outage of one or more business critical systems, we recommend ensuring the disaster recovery plan clearly defines:

- Roles and responsibilities;
- Assets classification;
- Recovery point objective (RPO) for all critical systems;
- Recovery time objective (RTO) for all critical systems;

The disaster recovery plan should be regularly tested, the testing should include business users and should be documented for audit and monitoring purposes.

Management response

Although at the time of this audit, the Council had not previously had a formally documented disaster recovery plan, it is important to note that all critical systems were and continue to be subject to back up procedures. The Council approved its first Cyber Security Strategy and associated action plan in September 2020 which has been tracked and updated annually. The Council has commissioned the new state-of-the-art TIER 3 Data Centre in the Ashton Old Baths (AOB) site.



5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Management response (continued)

In addition, an IT Business Continuity and Disaster recovery plan was presented to SLT in September 2021, which will be reviewed in line with new Service provision and split into the 3 tiers listed below.

- TIER 1 Critical Priority Recovery: System recovery time 1-2 day: System recovery checks annually
- TIER 2 High Priority Recovery: System recovery time 3-5 day: System recovery check every 2 years
- TIER 3 Medium Priority Recovery: System recovery time 1+ week

During 2022/23, the Council commissioned the supporting hardware within AOB to facilitate a business continuity solution in support of the current primary location hosted within Tameside and Glossop Integrated Care NHS Foundation Trust (ICFT). The Council now has the facility to recover to AOB following an event that resulted in the ICFT data centre becoming unavailable. The intention continues to commission AOB as the primary data centre to the Council, with the ICFT provisioning the secondary location in the event of a disaster. This work is to be completed during 2023. Throughput and functionality have been proven to the ICFT during this period of operating as the primary.

An exercise to evidence the ability to fail between data centres is to be scheduled once all migration works have been completed. This will provide the Council with the documented confidence it has a functional disaster capability for the coming years. Failover between data centres is a manual exercise and will require the refresh of the Council's Corporate IT Business Continuity and Disaster Recovery Plan, to inform the wider audience of the timelines and priorities.



5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Management response continued.

The Councils corporate IT Business Continuity and Disaster Recovery Plan is also currently going through internal governance and amongst other things addresses roles and responsibilities, prioritisation of critical and non-critical system recovery and recovery timescales. Systems are categorised in 3 tiers.

- TIER 1 Critical Priority Recovery: System recovery time 1-2 day: System recovery checks annually
- TIER 2 High Priority Recovery: System recovery time 3-5 day: System recovery check every 2 years
- TIER 3 Medium Priority Recovery: System recovery time 1+ week

To ensure this Response Plan is fit-for-purpose the Council has committed to undertake an annual cyber training exercise, to help aid our organisation in testing and practising our response plans to various scenarios including cyber-attack, using the NCSC's 'Exercise In a Box' toolkit.



5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Description of deficiency

Our work on property, plant and equipment valuations identified that floor areas used by the valuer contained errors. These floor areas were summarised and sent to the valuer by the Council’s estates team. When reviewing source evidence for floor areas of assets, the measurements within the evidence did not agree to the list of measurements provided by the estates team to the valuer.

Potential effects

For future valuations, or other Council-related activities, the information within the summary of recorded measurements of floor areas could be used and create further issues in valuations, or decision making.

Recommendation

Management should engage with the Council’s estates team to ensure that the right measurements are communicated to the valuer.

Management should consider checking a sample of measurements to ensure the correct measurements are communicated to the valuer.

Management response

The Council has developed the Fixed Asset Register to hold additional data including the floor plans of assets, as provided by the Estates team, in order to improve consistency and accuracy going forwards. The finance team is in the process of uploading copies of the floor plans for all assets revalued in 2022/23 to the register. The remainder will be added as part of the rolling programme of revaluations. The finance team has worked closely with Estates in reviewing the valuations provided by the valuer.



5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Description of deficiency

Our work on property, plant and equipment identified that land values determined by the valuer in the calculation of land valuations were not reflective of the fair value of land in the respective areas of Tameside. The process of determining land values from the comparable land sales data led to material discrepancies in the original valuations.

Potential effects

Where ranges of land values derived from comparable data do not reasonably reflect the value of land within the Tameside area, the effect of this input can lead to material misstatements of assets within the Statement of Accounts.

Recommendation

Management should work with the estates team use their knowledge of Tameside to challenge the methodology and assumptions applied by the valuer in determining the best estimate of fair value within the Tameside portfolio of asset valuations.

Management response

Land values for 2021/22 and 2022/23 have been reviewed by both finance and estates teams, and challenged where appropriate based on unusual or unexpected movements, or where contradictory to other market data such as sales prices available to estates.



5. Internal control recommendations

Other deficiencies in internal control – Level 2

Description of deficiency

Our work on the Council’s debtor balances identified an unreconciled difference of £0.632m between the general ledger and revenues and benefits system in respect of business rates debtors.

Potential effects

Discrepancies between the two systems can lead to a misstatement of the Council’s debtor balance within the Statement of Accounts.

Recommendation

The discrepancy between the systems should be fully investigated and cleared.

Management response

All non-domestic rates receipts are correctly recognised in the Capita Non-Domestic Rates system and there is no misstatement of income due to the Council or individual non-domestic rate account balances. Management actions taken to date include undertaking quarterly reconciliations between Capita and the ledger and working with a neighbouring authority to improve workflow processes. There remains an historical imbalance between the general ledger and Capita system for Non Domestic Rates due to timing differences and coding within the general ledger system, which will be fully investigated and corrected in the general ledger during the 2023/24 financial year.

5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

Our review of senior officer declarations of interest identified one instance where an amendment was made to the officer’s declarations based on a telephone conversation, but no written audit trail was retained to support the amendment. We were able to corroborate the change to third party evidence available from Companies House.

Potential effects

Without a full audit trail in place it is possible for errors to occur when updating records of declarations.

Recommendation

All changes to declarations of interest should be supported by a full audit trail.

Management response

The register of interests process involves contacting all Senior staff at Assistant Director and above to ask for a declaration of any interests each year. These returns are completed and documentation maintained of all responses, with any declarations highlighted as required. In the case referred to in the recommendation, the senior officer concerned had left the Council, making the declaration and audit trail a more complex process to complete and a telephone call was required to secure the information, instead of written confirmation in this instance. As part of lessons learned, an end-to-end review of senior officer declarations and the process of capturing them is being instigated. Final proposals will be subject to appropriate governance through committees in the financial year 2023/24. We will gain assurance advice on the final proposals from the internal audit function to ensure the controls proposed are suitable and robust.

5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

Our work on Property, Plant and Equipment identified a small number of assets (total value £0.272m) which have not been revalued within the five year rolling cycle of valuations. Whilst the value is not significant, this is not in compliance with the requirements of the CIPFA Code.

Potential effects

Failing to revalue assets on a sufficiently regular basis can lead to a misstatement of the Council's Property, Plant and Equipment balance.

Recommendation

The assets should be included in the 2021/22 revaluation programme.

Management response

As these assets have a depreciated net book value of £13,000, any valuation is not considered likely to be materially significant. However, in line with the recommendation and adherence to the CIPFA code, they have been added to the revaluation cycle for 2023/24.



06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the revised trivial threshold for adjustment of £0.335m. The first 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.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Income	893			
	Cr: Debtors				-893
The Council has a total short-term debtor balance of £57.9m. From this balance, we specifically tested £28.2m of debtor balances, and sampled the remaining balance of £29.7m. Our sample testing of three debtor balances (total sample value £0.047m) identified one credit note for £1k which had been raised in error. Applying our audit methodology we extrapolated this error over the untested population, and if the error was representative of the whole population, the Short Term Debtors balance and Cost of Services Income would both be overstated by £0.893m. We are satisfied this is not material. As the actual error is only £1k the Council's finance team have decided not to amend the statement of accounts.					
2	Dr: Revaluation reserve			1,060	
	Cr: Expenditure		-464		
	Cr: Property Plant and Equipment				-596
The Council had a total value of assets revalued in year of £338.2m after the revised valuations were adjusted for in the accounts. We specifically tested £177.3m of asset valuations, and sampled the remaining balance of £160.9m by testing a sample population of £32.6m. During our testing, we found several issues that led to actual misstatements on our residual sample. Combined with the extrapolation of these errors, we estimate an overvaluation error on the Council's portfolio of property, plant and equipment assets by £0.6m. The extrapolation impacts the revaluation reserve and gross expenditure.					

6. Summary of misstatements

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
3	Dr: Net Pension Liability – Pension Assets			7,141	
	Cr: Pensions Reserve				-7,141
The audit of Greater Manchester Pension Fund identified an unadjusted misstatement on the valuation of Level 3 Pooled Investment Vehicles totalling £172m. This arose due to the timing difference of information available at the time of the Pension Fund preparing their accounts, and the more up-to-date information made available at the time of the Pension Fund audit. We estimate the Council's proportion of the £172m unadjusted misstatement to be £7.1m.					
4	Dr: Depreciation	2,560			
	Cr: PPE - Infrastructure assets				-2,560
On applying the statutory override issued by DHLUC and the associated CIPFA guidance related on Infrastructure assets, the Council's disclosures and methodology identified the depreciation charge in respect of the opening balance for Infrastructure assets is £2.6m less than it should have been. The charge the 20/21 year was therefore understated.					
5	Dr: Property, Plant and Equipment - Surplus Assets			2,420	
	Cr: Property, Plant and Equipment – Land and Buildings				-2,420
Our testing on the revised property, plant and equipment valuations has resulted in identification of assets included within Land and Buildings that meet the classification of a Surplus Asset.					
Total unadjusted misstatements		3,453	-464	10,621	-13,610
Total net impact		2,989			-2,989

6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Property, Plant and Equipment			538	
	Cr: Assets Held for Sale				-538
	To reclassify assets held for sale to surplus assets as they do not currently meet the requirements to be classified as held for sale.				
2	Dr: General Fund Earmarked Reserves			1,686	
	Cr: Dedicated Schools Grant Deficit Adjustment Account				-1,686
	To create a new unusable reserve to hold the Council's Dedicated Schools Grant deficit in line with updated statutory requirements.				
3	Dr: Property, Plant and Equipment			2,100	
	Cr: Cost of Services Expenditure		-2,100		
	To account for the revised valuation of Tameside One, reducing previous valuation losses charged to the Comprehensive Income and Expenditure Statement.				
4	Dr: Other Comprehensive Income			1,118	
	Cr: Long Term Investments				-1,118
	To account for the revised valuations of the Council's investments in Inspiredspaces Tameside.				

6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
5	Dr: Other Operating Expenditure	596			
	Cr: Corporate Costs Expenditure		-596		
	To reclassify an element of the Waste Levy incorrectly shown within Corporate Costs.				
6	Dr: Short Term Provisions			14,945	
	Cr: Long Term Provisions				-14,945
	To reclassify the Business Rates Appeals provision as long term, reflecting the likely timing of settling appeals cases.				
7	Dr: Receipts in Advance			1,558	
	Cr: Short Term Creditors				-1,558
	To reclassify receipts in advance within the short term creditors balance.				
8	Dr: Long Term Liabilities			1,147	
	Cr: Short Term Liabilities				-1,147
	To reclassify amounts owed to Greater Manchester Metropolitan Debt Administration Funds as short term, as the final payment is due within one year.				

6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
9	Dr: Corporate Costs Income	1,157			
	Cr: Taxation and Non-Specific Grant Income		-1,157		
	To reclassify Council Tax Surplus incorrectly shown within Corporate Costs.				
10	Dr: Education Expenditure	713			
	Dr: Adults' Social Care Income	2,321			
	Dr: Financing and Investment Income and Expenditure	1,014			
	Cr: Education Income		-713		
	Cr: Adults' Social Care Expenditure		-2,321		
	Cr: Corporate Costs		-66		
	Cr: Corporate Costs Expenditure		-948		
	To correct misclassifications identified through our work on the Expenditure and Funding Analysis.				
11	Dr: Investment Properties			606	
	Cr: Financing and Investment Income and Expenditure		-606		
	To adjust the valuation of the Manchester Airport Land investment property where the valuer had not taken into account an additional lease between GM authorities and Manchester Airport.				

6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
12	Dr: Property Plant and Equipment			52,314	
	Cr: Revaluation Reserve				-30,974
	Cr: Cost of Services Expenditure		-21,340		
	To amend the valuations of PPE revalued in year across the TMBC portfolio.				
13	Dr: Financial Instruments Revaluation Reserve			8,900	
	Cr: Investments				-8,900
	To adjust the opening valuation of the Manchester Airport shareholding.				
14	Dr: Financial Instruments Revaluation Reserve			5,400	
	Cr: Investments				-5,400
	To adjust the closing valuation of the Manchester Airport shareholding.				

6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
15	Dr: Gross expenditure – Operations & Neighbourhoods	1,354			
	Dr: Gross expenditure – Growth	1,494			
	Dr: Financing and investment income	3,968			
	Cr: Gross income – Operations & Neighbourhoods		-3,761		
	Cr: Gross income – Growth		-207		
	Cr: Financing and investment expenditure		-2,848		
	To reclassify the Trading Services values from Financing and Investment Income and Expenditure to the Net Cost of Services.				
16	Dr: Cost of Services Expenditure	135			
	Dr: Revaluation reserve			1,706	
	Cr: Property, plant and equipment				-1,841
	To reclassify and adjust the valuation of Concorde Suite from property, plant and equipment to surplus assets.				
Total adjusted misstatements		12,752	-36,663	92,018	-68,107
Total net impact			-23,911	23,911	

6. Summary of misstatements

Disclosure amendments

During our audit we identified a number of adjustments to the disclosures in the accounts. These have been adjusted by management and include:

- **Cash Flow Statement** – The cash flow statement has been amended following changes to the Comprehensive Income and Expenditure Statement identified on the previous page.
- **Note 1b. Expenditure and Income Analysed by Nature** – Our audit work identified a number of inconsistencies between this note and elsewhere in the accounts. This led to the Note being updated as follows:
 - Other service expenses reduced by £3.175m
 - Loss on disposal of non-current assets increased by £8.684m
 - Interest payments reduced by £8.066m
 - Customer and client receipts reduced by £9.933m
 - Government grant income increased by £10.134m
 - Interest income reduced by £0.201m
 - Other income reduced by £2.557m
- **Note 4. Taxation and Non-Specific Grant Income** – £0.739m reclassified from S31 Business Rates Grants to Retained Business Rates to correct the classification of the income received.
- **Note 4. Taxation and Non-Specific Grant Income** – The analysis of capital grants has been moved from Note 5 to Note 4.
- **Note 5. Grants** - £0.159m reclassified from Covid Grants to Other Grants to correct the classification of income received.
- **Note 10. Unusable Reserves** – The holding in Manchester Airport Reserve has been combined with the Capital Adjustment Account.
- **Note 12. Property, Plant and Equipment** – The note has been updated following the decision to apply the statutory override and associated CIPFA guidance related to infrastructure assets. Disclosures include updating the specific accounting policies narrative within the note and inserting a Note 12d section for infrastructure assets, moving the Assets Held for Sale note to Note 12e.
- **Note 12a. Property, Plant and Equipment** – The other movements and assets reclassified in year lines have been consolidated.
- **Note 12a. Property, Plant and Equipment** – The nature of assets owned section has been updated to correct the analysis for vehicles, plant and equipment. The full amount is now shown as owned by the Council.
- **Note 12a. Property, Plant and Equipment** – The column showing PFI Assets included within PPE has been updated to show the correct movements under the Cost or Valuation heading.



6. Summary of misstatements

Disclosure amendments continued

- **Note 12c. Property, Plant and Equipment** – The note has been amended for the changes in valuations to reflect the net book value of assets held at cost or valuation at specific dates.
- **Note 16. Capital Expenditure and Capital Financing** – The note has been updated to include intangible asset additions of £1.027m.
- **Note 19. Financial Instruments** – The fair value of money market loans disclosure has been revised to £132.484m following receipt of information from the Council’s treasury advisors.
- **Note 27. Leases Operating Leases** – The Council as Lessor table has been updated to include future minimum lease payments receivable arising from land leases. This increases the total of the table by £0.662m.
- **Note 29. Pension Schemes Accounted for as Defined Contribution Schemes** – The disclosure for Teachers Pension Scheme has been updated to include forecast contributions of £9.239m for 2021/22.
- **Note 30. Pensions** – The employer contributions and benefits paid figures in the reconciliation of the movements in fair value of scheme assets table have now been separated as they were previously netted off.
- **Note 30. Pensions** – The total remeasurements recognised in other comprehensive income sub-total has reduced to £116.549m to correct a casting error.
- **Note 39. External Audit Costs** – Amounts payable in relation to grant certification have been removed as they are not payable to Mazars LLP.
- **Note 41. Accounting Policies** - Note has been updated for the requirements from applying the statutory override and associated CIPFA guidance related to infrastructure assets.
- **Note 44. Assumptions made about the future and other major sources of estimation uncertainty** – The note now includes a sensitivity analysis for each assumption and source of uncertainty.
- **Note 49. Prior Period Restatement** – The new note shows clearly the adjustments made to the prior year comparators.
- **Collection Fund Note 2 Council Tax** – The Council Tax Base tables have been update to include the forecast assumptions for new homes being built.



07

Section 07: **Value for Money**

5. Value for money

The framework for Value for Money work

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

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

- 1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
- 2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
- 3. **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

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment

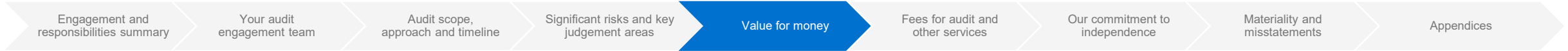
- Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include:
- NAO guidance and supporting information
 - Information from internal and external sources including regulators
 - Knowledge from previous audits and other audit work undertaken in the year
 - Interviews and discussions with staff and members

Additional risk based procedures and evaluation

Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.

Reporting

- We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.
- Our commentary will also highlight:
- Significant weaknesses identified and our recommendations for improvement
 - Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.



5. Value for money

Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist.

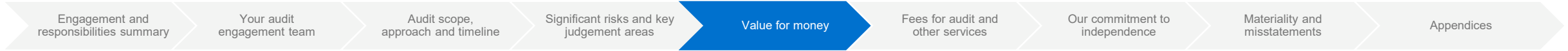
The table below outlines the risks of significant weaknesses in arrangements that we have identified to date.

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Work undertaken and the results of our work
1	<p>Financial sustainability</p> <p>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.</p> <p>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.</p> <p>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 financially 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</p> <p>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 that 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 plansreports 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</p> <p>We are satisfied the Council has appropriate arrangements in place in 2020/21 in relation to financial sustainability.</p>

5. Value for money

Identified risks of significant weaknesses in arrangements (continued)

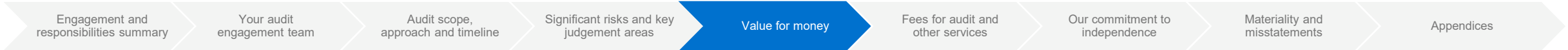
	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Work undertaken and the results of our work
2	<p>Ofsted Inspection: Children’s Services</p> <p>Over the past 12 months, Ofsted has issued a number of reports following focused visits to the Council and 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>	○	●	●	<p>Work undertaken</p> <p>To address the identified risk we have undertaken the following work:</p> <ul style="list-style-type: none">• Discussions with relevant Council Officers• Review of Improvement Board meeting minutes• Review of other relevant documents, including<ul style="list-style-type: none">- Tameside Improvement Plan- Improvement ‘Plan on a Page’- Improvement Plan ‘We Said, We Did’ update reports- Children’s Services Performance and Quality Assurance Scorecard <p>Results of the work</p> <p>We are satisfied the Council has appropriate arrangements in place to respond to weaknesses identified during Children’s Services inspections by Ofsted.</p>



5. Value for money

Identified risks of significant weaknesses in arrangements (continued)

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Work undertaken and the results of our work
3	<p>Financial reporting</p> <p>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</p> <p>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</p> <p>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> <p>A summary of the significant weakness in arrangements identified and the supporting recommendation for improvement are provided on page 40.</p>

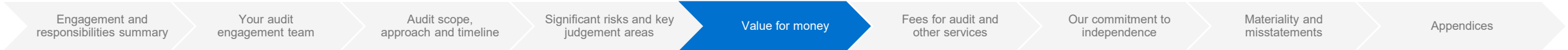


5. Value for money

Identified significant weaknesses in arrangements and recommendations for improvement

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

Identified significant weakness in arrangements		Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement
1	<p>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 it's 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.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

E: Audit fees

Appendix A: Draft management representation letter

To be provided to us on client headed note paper

[Date]

Dear Karen

Tameside Metropolitan Borough Council - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Tameside Metropolitan Borough Council ('the Council') for the year ended 31 March 2021 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 2020/21 (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 Council you determined it was necessary to contact in order to obtain audit evidence.



Appendix A: Draft management representation letter

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 Council, Cabinet and committee meetings, have been made available to you.

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 Council 's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

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.



Appendix A: Draft management representation letter

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.

All material matters, including unasserted claims, that may result in litigation against the Council 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 Council 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.

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 Council 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.



Appendix A: Draft management representation letter

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council’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 Council’s related parties and all related party relationships and transactions of which I am aware.

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.

Covid-19

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

Going concern

To the best of my knowledge there is nothing to indicate that the Council 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.



Appendix A: Draft management representation letter

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



Appendix A: Draft management representation letter (continued)

Appendix

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Income	893			
	Cr: Debtors				-893
2	Dr: Revaluation reserve			1,060	
	Cr: Expenditure		-464		
	Cr: Property Plant and Equipment				-596
3	Dr: Net Pension Liability – Pension Assets			7,141	
	Cr: Pensions Reserve				-7,141
4	Dr: Depreciation	2,560			
	Cr: PPE - Infrastructure assets				-2,560

Appendix A: Draft management representation letter (continued)

Appendix

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
5	Dr: Property, Plant and Equipment - Surplus Assets			2,420	
	Cr: Property, Plant and Equipment – Land and Buildings				-2,420
Total unadjusted misstatements		3,453	-464	10,621	-13,610
Total net impact		2,989			2,989

Appendix B: Draft audit report

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

Report to be confirmed



Appendix C: 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.



Appendix D: 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; andb. 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 the Director of Resources that Tameside Metropolitan Borough Council 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>

Appendix D: 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>
Matters related to fraud	<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 the Audit Panel, confirming that</p> <ul 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:<ul style="list-style-type: none">i. Management;ii. Employees who have significant roles in internal control; oriii. Others where the fraud could have a material effect on the financial statements; andd. 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 E: Audit 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 on 27 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

Executive summary

Status of audit

Audit approach

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money

Appendices

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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.