



The Audit Findings for Tameside Metropolitan Borough Council

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

Year ended 31 March 2017

July 2017

Mike Thomas

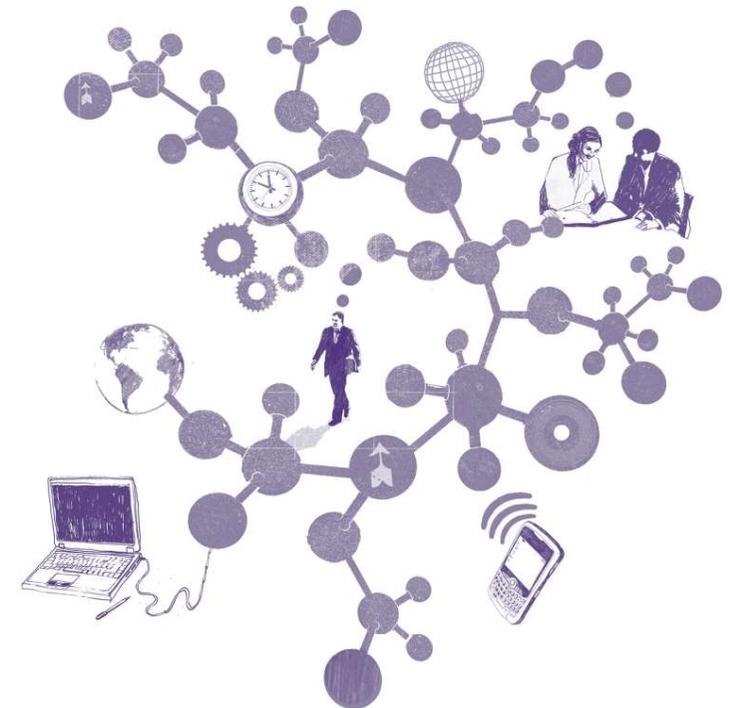
Director
T 0161 214 6268
E Mike.thomas@uk.gt.com

Stephen Nixon

Senior Manager
T 0161 234 6362
E Stephen.r.Nixon@uk.gt.com

Mark Stansfield

Executive
T 0161 234 6356
E Mark.stansfield@uk.gt.com





Private and Confidential

Overview (Audit) Panel
Tameside MBC
Dukinfield Town Hall
King Street
Dukinfield
Tameside
SK16 4LA

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

T 0161 953 6900
www.grant-thornton.co.uk

July 2017

Dear Audit (Overview) Panel

Audit Findings for Tameside Metropolitan Borough Council for the year ended 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Tameside MBC, the Overview (Audit) Panel), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Mike Thomas

Engagement Lead

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.
Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	8
3. Value for Money	22
4. Fees, non-audit services and independence	28
5. Communication of audit matters	31

Appendices

- A Letter of representation
- B Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Tameside Metropolitan Borough Council's ('the Council') financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We have had no recourse to exercise any of the above additional powers and duties.

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 8 March 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- audit work outstanding in the following areas including journals testing, property valuation and other completion procedures
- review of the final version of the financial statements updated for adjustments to property valuation
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts audit

We received initial draft financial statements on 8 June 2017 and draft accounts with accompanying working papers for audit on 21 June 2017. This was later than originally planned but has not impacted on the timing and completion of our audit procedures.

Key audit and financial reporting issues

Financial statements opinion

We have not identified any material adjustments affecting the Council's reported financial position. **(To be confirmed subject to amendments to property valuation)** The draft financial statements for the year ended 31 March 2017 recorded net cost of services of £157,814k. As a result of amendments to property valuation and valuation losses arising from our audit, the net cost of services reduced to £151,221k and property value reduction of £14,711k on the Balance Sheet. Other audit amendments related to the disclosure notes to the accounts and to improve the overall presentation of the financial statements for the reader.

The key messages arising from our audit of the Council's financial statements are:

- the finance team produced draft accounts and supporting working papers ready for audit on 21 June
- where additional working papers and information were requested during the course of the audit, officers have worked hard to provide prompt responses wherever possible
- management agreed to all the amendments to the accounts recommended during the audit. The main amendment which impacted on the Balance Sheet and related notes concerned property valuation being incorrectly reported.

Further details are set out in section two of this report.

We anticipate providing an unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the Narrative Report and AGS is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Value for Money

Our review of the Council's arrangements to secure economy, efficiency and effectiveness has highlighted the following issues which will give rise to a qualified VFM conclusion.

Ofsted published its inspection report on Children's Services in Tameside in December 2016 and judged the service to be inadequate. Ofsted highlighted weaknesses in relation to service delivery, leadership, management and governance.

The Council has responded promptly to the Ofsted Actions and has agreed a multi-agency Improvement Plan which is monitored by an independently chaired Children's Services Improvement Board. The Improvement Plan is backed by significant financial investment to address the issues. It is however too early to conclude that significant progress has been made to address the Ofsted concerns and restore the Council to a satisfactory rating. Failure to continually develop, adopt and implement the Improvement Plan would result in considerable risk to children and families requiring help.

Further detail of our work on Value for Money is set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Further details of our work on other statutory powers and duties is set out in section four of this report.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to those charged with governance later in 2017.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with management.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
July 2017

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our Audit Plan, we determined overall materiality to be £9,830k (being 2% of 2015/16 gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £250k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our Audit Plan.

Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made. (misstatements will also be evaluated by reference to how material they are to the other party).	£100,000 however errors will be assessed individually, with due regard given to the nature of the error and its potential impact on the materiality of the other party.
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgements about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> • review of entity controls • review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p> <p>Journals testing to be completed.</p>
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice Note 10 requires us to consider the risk of material misstatement due to fraudulent financial reporting that may arise from manipulation of expenditure recognition, especially where the body is required to meet targets.</p> <p>For your Council, we have concluded that the greatest risk of material misstatement relates to the completeness of operating expenses and creditor balances.</p>	<ul style="list-style-type: none"> • substantive testing of expenditure for the year • testing of payables and accrued expenditure including reviewing post year end invoices and payments 	<p>We have considered the risk of material misstatement due to fraudulent transactions within the expenditure cycle as set out in Practice Note 10.</p> <p>Our audit work has not identified any evidence of fraudulent transactions within the expenditure cycle.</p>

"Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgemental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks continued

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Valuation of property, plant and equipment The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements with regard to revaluation measurements not being correct.</p>	<ul style="list-style-type: none"> • review of management's processes and assumptions for the calculation of the estimate • review of the competence, expertise and objectivity of management's expert valuer, Matthews and Goodman • review of the instructions issued to management's expert valuer and the scope of their work • correspondence with the Council's expert valuer about the basis on which the valuation was carried out, challenging the key assumptions • review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding • testing of revaluations made during the year to ensure they were input correctly into the Council's asset register • evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value • evaluation of management's impairment review 	<p>Our review has not identified any material errors regarding valuation of property, plant and equipment.</p> <p>Approximately 20% of land and buildings were revalued during 2016/17 which resulted in an overall reduction of PPE values by £10.7m to £541.2m.</p> <p>At the outset of the audit there was an imbalance in the reconciliation between the Fixed Asset Register and General Ledger/accounts. This was resolved during the audit.</p> <p>To be confirmed – management revisiting school revaluation and restating – TBC.</p> <p>Also awaiting response from Matthews and Goodman.</p>
<p>Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<ul style="list-style-type: none"> • identifying the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessing whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement • review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation • carried out procedures to confirm the reasonableness of the actuarial assumptions made including the use of an audit expert and considered whether known outturns are within acceptable tolerances to confirm the reasonableness of the actuary's approach • review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary 	<p>Our review has not identified any material errors regarding the valuation of the pension fund net liability.</p> <p>The actuarial valuation of the Council's pension scheme liabilities and pension reserve have increased by £20.97m during the year. This is mainly as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). The main change relates to the increase in the discount rate used by the Actuary to discount the future cash flows of the fund. Further details are given in Note 30.</p> <p>The Council agreed to add a narrative disclosure to note 30 to explain the estimation involved in the rolled forward pension fund valuation.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p>	<p>Non-pay expenditure represents a significant percentage of the Council’s gross expenditure. Management also uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention.</p> <p>We also identified creditors being understated or not recorded in the correct period as a risk requiring particular audit attention.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding • tested a sample of non-pay operating expenses during the year for accuracy and recording in the correct period • tested a sample of creditors and accruals to supporting evidence to ensure they are correctly recorded in the right period and, where possible, to subsequent payment • reviewed post year end payments to identify any unrecorded creditors 	<p>Our review has not identified any material errors regarding non-pay operating expenditure or creditors.</p> <p>As reported on page 11, the amendment to school valuation had a corresponding impact on capital charges within expenditure categories. This resulted in a net gain of £6,593k to operating expenditure.</p> <p>We identified an error regarding corporate landlord recharge (£5,893k) and Digital Tameside recharge (£419k) which were not netted from income or expenditure in the accounts. Management adjusted both income and expenditure for these errors with no overall impact on net cost of services.</p>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity’s controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Employee remuneration</p>	<p>Payroll expenditure represents a significant percentage of the Council’s gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • performed a trend analysis of payroll costs to identify any unusual or unexpected trends • tested a sample of payroll transactions to confirm accuracy and completeness 	<p>Our review has not identified any material errors regarding employee remuneration expenditure.</p>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity’s controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<ul style="list-style-type: none"> NDR and Council tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of revenue can be measured reliably government grants and third party confirmations and donations are recognised as due when there is reasonable assurance that the Council will comply with conditions attached to the payment and the grants or contributions will be received revenue relating to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received and the stage of completion of the service can be measured 	<p>Revenue recognition policies are in line with the requirements of the Code of Practice on Local Authority Accounting 2016-17 and accounting standards.</p> <p>We have undertaken substantive testing of grants and other revenues and are satisfied that the Council has recognised income in accordance with its accounting policies.</p>	<p style="text-align: center;">● Green</p>
<p>Judgements and estimates</p>	<p>Judgements and estimates have been considered in a number of areas including:</p> <ul style="list-style-type: none"> pension fund valuations and settlements investments in Manchester Airport Group financial instruments fair values provisions and reserves 	<ul style="list-style-type: none"> the Council has disclosed its significant judgements and estimates appropriately the Council has appropriately relied on the work of experts for pension fund valuations, for fair value calculations and the valuation of its investment in Manchester Airport Group our testing of financial instruments has not identified any matters arising our testing of a sample of provisions and reserves has not identified any matters arising <p>During 2016/17 the Council has reviewed its reserves allocation due to the previous assumption that much of the capital investment programme would be funded from prudential borrowing. However this is no longer considered affordable and therefore the Capital Investment Reserve has seen an increase from £36,649k at 1 April 2016 to £69,210k at 31 March 2017, largely due to a transfer from the Medium Term Financial Strategy Reserve. Members of the Council have been kept updated of the reserves strategy during regular budget and finance reports.</p>	<p style="text-align: center;">● Green</p>

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
 © 2017 Grant Thornton UK LLP | Audit Findings Report for Tameside MBC | 2016/17

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Judgements - changes to the presentation of local authority financial statements</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have undertaken the following work:</p> <ul style="list-style-type: none"> reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger tested the classification of income and expenditure reported in the new Expenditure and Funding Analysis (EFA) note to the accounts reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p style="text-align: center;">● Green</p>
<p>Going concern</p>	<p>The Assistant Executive Director, Resources (s151 officer) has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.</p>	<p style="text-align: center;">● Green</p>
<p>Related Parties Review</p>	<p>As part of our interim audit testing we reviewed the Companies House website for information on members of the Executive Cabinet and senior officers (Assistant Executive Directors and above) to identify any related party interests.</p>	<p>At our final accounts audit we compared the Companies House information to the Members and Senior Officers register of interests and disclosures in the financial statements. There are no matters arising that we wish to draw to your attention.</p>	<p style="text-align: center;">● Green</p>
<p>Other accounting policies</p>	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice and accounting standards.</p>	<p>The Council's accounting policies are appropriate and consistent with previous years.</p> <p>The Council adjusted its Minimum Revenue Position (MRP) policy for borrowings taken on or after 1 April 2015. MRP is calculated on a straight line basis over 50 years before that date. Borrowing after that date is provided on a straight line over the expected life of the associated asset. Note 8 to the accounts provides a full explanation.</p>	<p style="text-align: center;">● Green</p>

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Housing Benefit and Welfare expenditure	<p>The Council includes Housing Benefit income based upon the unaudited submission to central government.</p> <p>As part of our work on expenditure we have reviewed the following on welfare expenditure:</p> <ul style="list-style-type: none"> reconciliation of the welfare benefits expenditure system to the general ledger and financial statements; reconciliation of welfare benefit income to subsidy claim; substantively tested a sample of 12 welfare benefit payments (rent allowance and non HRA rent rebates); substantive testing to ensure the welfare benefits system parameters are updated correctly for 2016/17; and analytical review of benefits paid. <p>These procedures also form part of the Housing Benefit Subsidy Claim audit which has a certification deadline of 30 November 2017.</p>	<p>Our audit has not identified any significant issues in relation to welfare benefit expenditure which would impact on the audit opinion. We will report the findings of our Housing Benefit Subsidy audit in November 2017.</p> <p>Testing to be completed.</p>	<p>● Green</p>
Prior Year Adjustment	<p>The 2015/16 Balance Sheet and associated notes have been re-stated to reflect the removal of New Charter Academy.</p>	<p>New Charter Academy with a value of £37.701m was incorrectly reported in the prior year statements as owned by the Council although ownership had transferred to the Academy.</p>	<p>● Green</p>

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
© 2017 Grant Thornton UK LLP | Audit Findings Report for Tameside MBC | 2016/17

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit (Overview) Panel. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	From the work we carried out, we have not identified any related party transactions which have not been disclosed
3.	Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	A standard letter of representation has been requested from the Council (see Appendix A).
5.	Confirmation requests from third parties	We requested and received direct confirmations for bank balances from the Council's bankers. For the Council's borrowings we received confirmations direct from PWLB and from Capita in respect of the Council's commercial LOBO borrowings.
6.	Disclosures	Our review found no material omissions in the financial statements.
7.	Matters on which we report by exception	We are required to report by exception in the following areas if we identify any issues: <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading. We have no issues to report.
8.	Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £350m we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. The deadline for submission of the audited Group Return is 29 September 2017 and we will complete our audit in advance of that deadline. We are satisfied that our review will not have any material impact on our audit opinion or VFM conclusion.

Internal controls

To update with IT auditor audit findings.

	Assessment	Issue and risk	Recommendations
1.		<ul style="list-style-type: none"> TBC 	
2.			

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Internal controls – review of issues raised in prior year

As part of our audit we engage the firm's IT specialist auditors to carry out a review of entity level IT controls. Arising from this review were three minor points that management agreed to address which we reported in 2015/16. These related to:

- extending password length to minimum best practice (8 characters);
- improving password complexity to access the Agresso general ledger system; and
- improving the process for removing access to Agresso, Academy and Active Directory.

We do not consider that these matters present a risk to the audit opinion.

NEED TO UPDATE THIS WITH PROGRESS AGAINST POINT 3

Adjusted misstatements TBC

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000
1 Revaluation of two PFI assets (XXXX) at 31 March 2017 was incorrectly input to the asset register and the general ledger. Resulting correction for the overstatement in value impacted upon revaluation losses which affected the CIES. Revaluation losses are reported below the Cost of Services on the CIES and therefore do not impact the General Fund. The charge is reversed through the Capital Adjustment Account (CAA) Reserve. There was a corresponding adjustment required to depreciation charges which is also reversed via the CAA .	6,593	14,711	6,593
2 Corporate landlord service income recharge not netted off in the accounts. Corresponding reduction in expenditure.	5,893		Nil
Digital Tameside income recharge not netted off in the accounts. Corresponding reduction in expenditure.	419		Nil
Overall impact	£12,905	£14,711	£6,593

Misclassifications and disclosure changes TBC

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	-	Note 28 PFI	Update to valuation disclosure of PFI assets to be consistent with revised valuation at 31 March 2017. PFI asset value decreased from 102,620k to £83,305k. Disclosure note only so no impact on primary statements.
2 Disclosure	-	Various	A small number of narrative amendments were made to the accounts and Narrative Report to improve presentation and aid the reader's understanding, including the Council's response to assessing hazardous cladding arising from the Grenfell fire, Note 5 Capital Grants realignment, and other improvements.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

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

AGN 03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in February 2017 and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN 03. We communicated these risks to you in our Audit Plan dated 8 March 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council is responding well to the findings of Ofsted in December 2016 which rated Children's Services as Inadequate. An Improvement Plan has been developed with the creation of an independently chaired multi-agency Children's Services Improvement Board to oversee progress. It is too early to conclude the level of progress made in addressing the Ofsted concerns and when the rating will be restored to a safe level
- The Council has maintained a tight control of its budget and net expenditure at 31 March 2017 was £8.376m less than plan. The medium term financial plan, approved by the Council in February 2017, extends to 2019/20 and requires a further £14.4m of cost savings to be achieved. This is a challenge to the Council given the increase in demand for services and future funding reductions
- The Council has also continued to invest in the Borough with £35.288m capital spend during the year. The Vision Tameside project has continued with £10.134m regeneration investment including Clarendon Sixth Form College, Skills Centre and new Council administration block. Costs continue to be within budget
- The Council is making good progress with the delivery of the Care Together programme, together with the local CCG and NHS Foundation Trust, to transform healthcare in Tameside and Glossop. Resources were pooled into a single Integrated Commissioning Fund (ICF) underpinned by a financial framework which became fully operational on 1 April 2016. The ICF enables single commissioning arrangements for healthcare with decisions made at a Single Commissioning Board

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 24 to 25.

Overall conclusion

Based on the work we performed to address the significant risk, we concluded that:

- except for the matter we identified in respect of the Ofsted inspection of Children's Services, the Council had proper arrangements in all significant respects. We therefore propose to give a qualified 'except for' conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The text of our proposed report can be found at Appendix B.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p>Ofsted inspection of children's services Ofsted issued a report on the Council's children's services in December 2016 which rated these as 'inadequate' and the Council is currently subject to a follow up review. Until such time as Ofsted has confirmed that adequate arrangements are in place this remains a significant risk to the Council's arrangements.</p>	<p>We reviewed the arrangements the Council has in place to respond to the Ofsted concerns. This included a review of progress made by the Improvement Board and monitoring of the Ofsted action plan.</p> <p>We have reviewed update reports from Ofsted as they become available.</p> <p>We have met with the Director of Children's Services and attended the monthly Children's Services Improvement Board to review progress in responding to the Ofsted concerns.</p>	<p>Ofsted published its inspection report on Children's Services in Tameside in December 2016 and judged the service to be inadequate. Ofsted highlighted weaknesses in relation to service delivery, leadership, management and governance. The Tameside Safeguarding Children Board was judged as "requiring improvement".</p> <p>The Council was already aware of the pressures within the service stemming from an unprecedented increase in service users. Children's Services caseload increased from 1,342 children and young people at 31 March 2016 to 2,753 at 31 March 2017. The 2016/17 budget allocation consequently overspent by £2.8m which was largely to fund additional social workers and placements.</p> <p>The Council has responded promptly to Ofsted's concerns by developing an Improvement Plan and creating a Children's Services Improvement Board to oversee progress. The Improvement Plan was submitted to Ofsted by the 20 March 2017 deadline and incorporated public consultation comments. It also included the views of children and service users under "Voice of the Child". The Improvement Plan is now formally adopted as Council Policy. The Improvement Plan sets out how a fully functioning Children's Service can be delivered, going beyond simply addressing the Ofsted concerns.</p> <p>Delivery of the Improvement Plan is overseen by the multi-agency Children's Services Improvement Board. A Terms of Reference for the Board was prepared and it has met monthly since February 2017. The Board has an independent chair and contains representatives from key stakeholders including an adviser from the Department for Education, Director of Children's Services, Council Leader and Chief Executive, Tameside Hospital, CCG, Police and head teachers to name just a few. The Council is keen to understand what good looks like for each partner agency and progress updates by the Children's Services Improvement Board are presented quarterly to the Executive Cabinet of the Council.</p> <p>The Improvement Plan itself is partnership wide and sets out how the Council and partners across the borough are addressing the Ofsted recommendations to deliver sustainable improvement. The Improvement Plan is framed around six key themes which map to the Ofsted inspection report:</p> <ul style="list-style-type: none"> • Leadership and strategy • Demand and need • Resources and capacity • Quality, practice and compliance • Outcomes for children • Sustainability

Key findings continued

Significant risk	Work to address	Findings and conclusions continued
<p>Ofsted inspection of children's services Ofsted issued a report on the Council's children's services in December 2016 which rated these as 'inadequate' and the Council is currently subject to a follow up review. Until such time as Ofsted has confirmed that adequate arrangements are in place this remains a significant risk to the Council's arrangements.</p>	<p>We reviewed the arrangements the Council has in place to respond to the Ofsted concerns. This included a review of progress made by the Improvement Board and monitoring of the Ofsted action plan.</p> <p>We have reviewed update reports from Ofsted as they become available.</p> <p>We have met with the Director of Children's Services and attended the monthly Children's Services Improvement Board to review progress in responding to the Ofsted concerns.</p>	<p>Underpinning each of these key themes is the Voice of the Child which is paramount in ensuring that the needs of children and young people are heard to secure genuine and sustainable improvement.</p> <p>The Improvement Plan is supported by additional recurrent investment of £6m from 2017/18 onwards. This includes investment in Family Group Conferencing, Edge of Care and Care to Success initiatives.</p> <p>The Council recognises that managing the demand for Children's Services is key to delivering sustainable improvement. It is expected that a review of service provision pathways and other initiatives should lead to a reduction in demand in the medium term. This is essential as the increased financial investment is not sustainable in the longer term given decline in resources. Success also depends upon recruiting sufficient Social Workers to deal with service demand. Good Social Workers are in short supply and the Council must compete with neighbouring Boroughs to recruit and fill places whilst controlling costs and not promoting pay inflation.</p> <p>Ofsted has so far carried out two focused follow up monitoring visits during 2017. A review of the Children's Hub took place in February 2017 and Ofsted concluded that some progress was being made. A follow up review of help and protection, with a focus on the safeguarding duty teams by Ofsted in June 2017 reported that only limited progress had been made in addressing the recommendations. It is too early to know when sufficient progress will be made to restore the Ofsted score to a satisfactory rating. The next full Ofsted inspection is not expected until late 2018 at which time overall progress and the quality of the Service will be formally rated again.</p> <p>We consider that the Council has responded appropriately to the issues identified by Ofsted and has created a comprehensive Improvement Plan underpinned by multi-agency independent scrutiny. Working with partners is key to improving the service and ensuring that services are sustainable and not delivered in silos.</p> <p>Whilst we recognise the swift response of the Council to the Ofsted findings we concluded that as a result of their findings weaknesses remain in the Council's arrangements for managing risks effectively and maintaining a sound system of internal control, demonstrating and applying the principles and values of good governance, and planning, organising and developing the workforce effectively to deliver strategic priorities.</p>

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

We confirm below our final fees charged for the audit and provision of non-audit services (Audit Fees TBC)

Fees

	Proposed fee £	Final fee £
Council audit	105,017	105,017
Grant certification – Housing Benefits	24,323	T.B.C
Total audit fees (excluding VAT)	129,340	T.B.C

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd.

Grant certification

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

Independence and ethics

Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:

- We draw your attention to the fact that an ex-Grant Thornton employee currently occupies a senior position within the Council, although we consider this fact has had no bearing on our audit judgement or independence. The appointment commenced on 17 July 2017
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all other services which were identified.

Fees for other services

Service	Fees £	Planned outputs
Audit related:		
Teachers' Pension Return	4,200	Independent accountants' certificate
George Frederick Byrom Trust independent examination	1,000	Independent examiners' statement
Non-audit related:		
CFO Insights software provision	10,000	Access to database and support
Total	15,200	

The above services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Independence and non-audit services

We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place

	Service provided to	Fees	Threat?	Safeguard
CFO Insights Online service allowing rapid analysis of key financial performance data	Tameside Metropolitan Borough Council	£10,000	The fee is a subscription, for an initial three year period (fees £10,000 per annum), and is therefore a high self-interest threat.	The fee for this work is negligible in comparison to the total fee for the audit and in particular the overall turnover of Grant Thornton UK LLP and the Public Sector Assurance service line. It is also a fixed fee with no contingent element. These factors mitigate the perceived self interest threat to an acceptable level.
	TOTAL	£10,000		

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication to those charged with governance

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

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

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

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

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

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

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

Appendices

A. Letter of Representation

B. Audit Opinion

A: Letter of Representation

We are requesting a standard letter of representation from the Council

July 2017

Dear Sirs

Tameside Metropolitan Borough Council Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the financial statements of Tameside Metropolitan Borough Council for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the Council's financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

We have fulfilled our responsibilities for the preparation of the Council 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 2016/17 ("the Code") which give a true and fair view in accordance therewith.

We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the Council's financial statements.

The Council has complied with all aspects of contractual agreements that could have a material effect on the Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the Council financial statements in the event of non-compliance.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

We are satisfied that the material judgements used in the preparation of the Council financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

Except as disclosed in the financial statements:

- there are no unrecorded liabilities, actual or contingent
- none of the assets of the Council has been assigned, pledged or mortgaged
- there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

All events subsequent to the date of Council financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the Council financial statements.

We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
- additional information that you have requested from us for the purpose of your audit; and
- unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

We have communicated to you all deficiencies in internal control of which management is aware.

All transactions have been recorded in the accounting records and are reflected in the Council financial statements.

We have disclosed to you the results of our assessment of the risk that the Council financial statements may be materially misstated as a result of fraud.

We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the Council financial statements.

We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Council's financial statements.

We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the Council financial statements.

Annual Governance Statement

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Overview (Audit) Panel at its meeting on 31 July 2017.

Yours faithfully

Signed
 Ian Duncan, Assistant Executive Director, Resources
 Date.....

Signed.....
 Councillor Ricci, Chair of Overview (Audit) Panel
 Date.....

Signed on behalf of the Council

B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAMESIDE METROPOLITAN BOROUGH COUNCIL

We have audited the financial statements of Tameside Metropolitan Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the related notes, the Collection Fund and the related notes. 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 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 Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Executive Director, Resources (Section 151 Officer) and auditor

As explained more fully in the Statement of Responsibilities, the Assistant Executive Director, Resources (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Executive Director, Resources (Section 151 Officer); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and Financial Summary and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and Financial Summary and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**Respective responsibilities of the Authority and auditor**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1) (c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Basis for qualified conclusion

In considering the Authority's arrangements for securing economy, efficiency and effectiveness we identified the following matter:

In December 2016, Ofsted issued its report on the inspection of Children's Services in Tameside, which judged the service provided by the Authority to be inadequate. The report highlighted a number of issues in relation to service delivery, leadership, management and governance.

The Authority has responded with an Improvement Plan which has been submitted to Ofsted and is being overseen by the multi-agency Tameside Children's Services Improvement Board. At the date of our opinion the Improvement Plan is still in operation and a number of the actions are still being progressed.

The Ofsted assessment of inadequate is evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable performance information to support informed decision making and performance management, and for planning, organising and developing the workforce effectively to deliver strategic priorities.

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, except for the effects of the matter described in the Basis for qualified conclusion paragraph, we are satisfied that, in all significant respects, the Authority put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

To be signed

Mike Thomas
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
4 Hardman Square
Spinningfields
Manchester
M3 3EB
To be dated July 2017



© 2017 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant-thornton.co.uk