

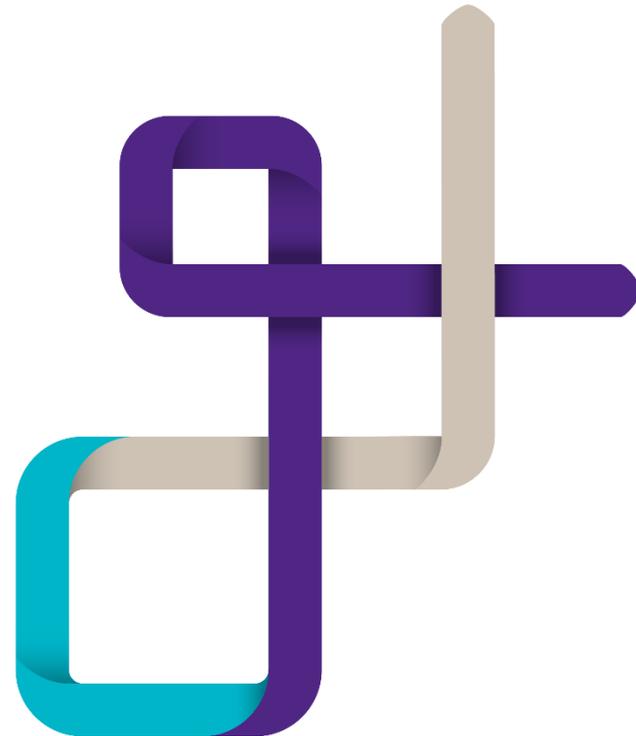
# Audit Findings

*Year ended 31 March 2018*

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Tameside Metropolitan Borough Council

30 July 2018



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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 for the purpose of expressing our opinion on the financial statements. 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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# Headlines

This table summarises the key issues arising from the statutory audit of Tameside Metropolitan Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

<b>Financial Statements</b>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Council's financial statements give a true and fair view of the Council's financial position and of the Council's expenditure and income for the year, and</li><li>have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li></ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during July. Our findings are summarised on pages 5 to 14. We have identified 1 adjustment, which was noted by the finance team post draft publication, to the financial statements that has resulted in a £3.5m adjustment to the Statement of Comprehensive Income and Expenditure. However this has not impacted on the General Fund Balance as the adjustment was below the cost of services and reversed through the Movement in Reserves Statement. Audit adjustments are detailed in Appendix A..</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Overview (Audit) Panel meeting on 30 July 2018, as detailed in the agenda. These outstanding items include:</p> <ul style="list-style-type: none"><li>Housing Benefits</li><li>Operating Expenditure</li><li>Whole of Government Accounts</li><li>Final audit housekeeping steps</li><li>Updating our post balance sheet events review, to the date of signing the opinion</li><li>Receipt of management representation letter; and</li><li>Review of the final set of financial statements.</li></ul> <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')</li></ul>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Tameside Metropolitan Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources, except for in relation to Children's Services.</p> <p>We therefore anticipate issuing an 'except for' value for money conclusion, as detailed in Appendix C. Our findings are summarised on pages 15 to 18.</p>

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# Headlines continued

This table summarises the key issues arising from the statutory audit of Tameside Metropolitan Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

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<b>Statutory duties</b>	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: <ul style="list-style-type: none"><li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>• certify the closure of the audit</li></ul>	We have not exercised any of our additional statutory powers or duties.  We do not expect to be able to certify the conclusion of the audit yet as we have not completed the work necessary to issue our Whole of Government Accounts (WGA) assurance statement for the year ended 31 March 2018.
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## Acknowledgements

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.

# Summary

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Overview (Audit) Panel meeting on 30 July 2018, as detailed in the agenda. These outstanding items include:

- Housing Benefits
- Operating Expenditure
- Whole of Government Accounts
- Final audit housekeeping steps
- Updating our post balance sheet events review, to the date of signing the opinion
- Receipt of management representation letter and
- Review of the final set of financial statements

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan. We detail in the table below our assessment of clearly trivial materiality for Tameside Metropolitan Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	9,500,000	Previous financial performance of the Council.
Performance materiality	7,165,000	Previous quality of the working papers and response to audit process. Quality of financial systems and processes and the nature of the Councils expenditure and income streams.
Trivial matters	478,000	
Materiality for specific transactions, balances or disclosures	100,000	Materiality has been reduced for remuneration disclosures to £100k due to its sensitive nature and public interest. A specific materiality of 2% of spend with related parties will be applied to unusual Related Party Transactions

# Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

## Going concern commentary

### Management’s assessment process

- Cash flow projections up until March 2020 have been used when assessing the Councils assumption to account as a going concern.
- Regular monitoring and forecasting and maintenance of the four year Medium Term Financial Plan
- Section 151 officers assessment of the robustness of budget estimates and the adequacy of financial reserves. Including the impact on future council tax increases.

### Auditor commentary

- Management assess that the Council will continue as a going concern. Whilst facing significant financial pressures in common with the rest of the public sector the Council has a strong track record of delivering to budget and achieving its savings plans. The Council has developed a medium term financial strategy which covers the next four years .
- The presumption in Local Government is that the going concern assumption does apply unless there is specific evidence to the contrary from factors such as
  - Announcements to wind up the council
  - Failure to set a balanced budget
  - External assessment conclude unsustainable
  - Financial plans show unable to meet obligation for foreseeable future
  - Significant doubts over forward financial planning arrangements

The Council review has considered these areas and concluded that no material uncertainty exists. In addition based on our knowledge of the client we are aware that an ‘approved budget’ has been set for 2018/19 and a longer term financial plan and cash flow forecast is in place.

- Full review undertaken by the section 151 officer, detailed report written by the Deputy Director of Finance taken to Executive Committee and Audit Panel for approval includes the Medium Term Financial Plan. This has considered all areas as required.

### Work performed

We have reviewed the medium term financial plan and the assumptions used within the planning mechanisms.

We have looked at the cash flow forecasts for the next 3 years to ensure the use of reserves is sustainable

### Auditor commentary

- Our work has not identified any events or conditions which may cast significant doubt on the going concern assumption
- No specific disclosures in relation to going concern are required
- Whilst the level of reserve balances reduce significantly within the forecast over the next 3 years this is a planned reduction and still leaves the Council with a sufficient level of reserve to cover medium term risks

### Concluding comments

### Auditor commentary

- We plan to issue an unmodified opinion in relation to going concern.

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

1

### Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

### Auditor commentary

Having considered the risk factors set out in ISA 240 (UK) and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Tameside Metropolitan Borough Council, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for Tameside Metropolitan Borough Council.

2

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We identified management override of controls as a risk requiring special audit consideration.

### Auditor commentary

We have undertaken the following work in relation to this risk

- 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
- review of significant related party transactions outside the normal course of business

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 controls and testing of journal entries has not identified any significant issues.

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

3

### Valuation of property, plant and equipment

The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration

### Auditor commentary

We have undertaken the following work in relation to this risk

- Review of management's processes and assumptions for the calculation of the estimate.
- Review of the competence, expertise and objectivity of any management experts used.
- Review of the instructions issued to valuation experts and the scope of their work
- Discussions with the Council's 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.
- Tested material additions and disposals and reviewed the depreciation calculation
- Reviewed the Councils consideration of asset impairment

Our audit work identified 2 schools that had converted to Academy status during the year but had not been removed from the fixed asset register. This error was noted by the finance team post draft publication. This has had the effect of reducing the assets held on the balance sheet by £3.5m further details are shown in appendix A

4

### Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration

### Auditor commentary

We have undertaken the following work in relation to this risk

- Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed 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.
- Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made and challenging the use of those assumptions.
- Review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.

Our audit work has not identified any issues in respect of the valuation of the pension fund net liability

# Reasonably possible audit risks

## Risks identified in our Audit Plan

## Commentary

5

### Employee remuneration

Payroll expenditure represents a significant percentage (36%) of the Council's operating expenses.

As the payroll expenditure comes from a number of individual transactions and sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention

### Auditor commentary

We have undertaken the following work in relation to this risk:

- 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
- Evaluated the Council's accounting policy for recognition of payroll expenditure to ensure appropriate
- Agreed payroll expenditure from sub-systems to general ledger control accounts
- Performed a predictive analytical review and trend analysis and compared results to reported figures

Our audit work has not identified any issues in respect of the completeness of employee remuneration

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### Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage (49%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:

### Auditor commentary

We have undertaken the following work in relation to this risk:

- Evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- Gained an understanding of the Council's system for accounting for non-pay expenditure and evaluated the design of the associated controls;
- Agreed creditor balances to the general ledger control account
- Substantively tested a sample of operating expenditure and creditor entries
- Selected a sample of operating expense to ensure they have been accounted for in the correct period

Our audit work has not identified any issues in respect of the completeness of operating expenses

# Significant matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view
<p>1 Significant events or transactions that occurred during the year</p>	<p>In January 2018, the UK's second largest outsourcing and construction company went into liquidation. Carillion contracted with a number of public sectors bodies including Tameside MBC typically through the construction of infrastructure assets and the provision of ongoing facility management contracts.</p> <p>We have discussed the impact of the Carillon collapse with management and identified 3 areas which may affect the 2017/18 financial statements .</p>	<p><b>Vision Tameside</b> – the contract for the construction was with the LEP. The LEP then contracted with Carillion Plc to undertake the work. Following Carillion collapse the LEP arranged a short term early works agreement with the Robertson Construction Group. Ongoing discussion has resulted in a new contract being agreed for the completion of the contract resulting in additional cost to the council of £8.3m for construction and £1.1m for insurance and contingencies. This contract is due to be signed in July 2018. As the initial contract was with the LEP and not Carillion the Council did not have a legal obligation to a past event and no provision is therefore included within the financial statements. We would however expect to see a detailed post balance sheet event disclosure included within the accounts.</p> <p><b>Charges from the liquidators</b> (PWC) for the management of contracts held i.e. Primary school catering and contracts via the PFI companies – since their appointment PWC have been charging a management fee on a weekly basis. This has been accounted for as due on an accruals basis. Resulting in an overspend against budget for 2017/18. We are satisfied that the accounting treatment fairly reflects the payments made.</p> <p><b>Pension Guarantee</b> - the effect of Carillion liquidation raises issues in relation to the pension guarantee .Pension Guarantees are valued by the Council under IFRS4 as insurance contracts which use a probability factor to arrive at the potential cost. The Council have undertaken an exercise to estimate the likely cash outflow which has been calculated as trivial. This is consistent with the treatment of other guarantees which are considered trivial.</p> <p>Any call on early retirement pensions arising if there were any deemed redundancies from the ongoing contract, which we understand the Council has agreed with the new provider will be TUPE like including continuation of access by staff to the Local Government Pension Scheme will be covered by the extra contributions paid annually to the pension fund as a provision for early retirement. We are satisfied that the accounting treatment fairly reflects the liabilities.</p>

# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>• Council tax and Business Rates 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</li> <li>• 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</li> <li>• Revenue in relation to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable that revenue will be received and the stage of completion of the service can be measured</li> </ul>	<p>We are satisfied from our testing of revenue recognition policies that:</p> <ul style="list-style-type: none"> <li>• Revenue recognition policies are in line with the requirements of the Code of Practice on Local Authority Accounting 2017-18 and accounting standards</li> <li>• We have undertaken testing of revenues streams in accordance with its accounting policies, and are satisfied that the Council has recognised income in accordance with its accounting policies.</li> <li>• The policies are appropriate under the relevant accounting framework;</li> <li>• The policies are adequately disclosed in the financial statements</li> </ul>	 <b>Green</b>
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>• Key estimates and judgements include : <ul style="list-style-type: none"> <li>– Useful life of PPE</li> <li>– Revaluations</li> <li>– Impairments</li> <li>– Accruals</li> <li>– Valuation of pension fund net liability</li> <li>– Provision for NNDR appeals</li> <li>– Other provisions</li> </ul> </li> </ul>	<p>We are satisfied from our testing of estimates and judgements that</p> <ul style="list-style-type: none"> <li>• The accounting policies in relation to the estimates and judgements reviewed are appropriate and have been adequately disclosed</li> <li>• The Council has appropriately relied on the work of experts for pension fund valuations, for fair value calculations, for valuation of PPE and valuation of its investment in Manchester Airport Group.</li> <li>• Our testing of provisions has not identified any matters arising</li> </ul> <p>We noted from the work undertaken that the Council accrue for Adult Social Care Income from April to April. Although this does not accurately reflect the financial year our work gives assurance that this does not have a material effect on the estimate.</p>	 <b>Green</b>
<b>Other critical policies</b>	<ul style="list-style-type: none"> <li>• We have reviewed the Councils accounting policies against the CIPFA Code of Practice and accounting standards</li> </ul>	<p>The Council's accounting policies are appropriate and consistent with previous years.</p>	 <b>Green</b>

## Assessment

- Marginal accounting policy which could potentially be open to challenge by regulators
- 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 <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Overview (Audit) 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.</li> </ul>
② <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
③ <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
④ <b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> </ul>
⑤ <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests for bank balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</li> <li>For the Council's borrowings we received confirmations direct from PWLB and from Capita in respect of the Council commercial LOBO borrowings.</li> </ul>
⑥ <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
⑦ <b>Audit evidence and explanations</b>	<ul style="list-style-type: none"> <li>All information and explanations requested from management was provided.</li> </ul>

# Other responsibilities under the Code

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

Issue	Commentary
<p>① <b>Other information</b></p>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to Appendix C</p>
<p>② <b>Matters on which we report by exception</b></p>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• 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 other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters</p>
<p>③ <b>Specified procedures for Whole of Government Accounts</b></p>	<p>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.</p> <p>As the Council exceeds the specified group reporting threshold of £500m we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <ul style="list-style-type: none"> <li>• Note that work is not yet completed and the deadline for submission of the audited Group Return is 31 August 2018. We will complete the work in advance of that deadline.</li> <li>• We are satisfied that our review will not have a material impact on our audit opinion or VfM conclusion.</li> </ul>
<p>④ <b>Certification of the closure of the audit</b></p>	<p>We do not expect to be able to certify the completion of the 2017/18 audit of Tameside Metropolitan Borough Council in our auditor's report, as detailed in Appendix C as work on WGA is not yet completed</p>

# Value for Money

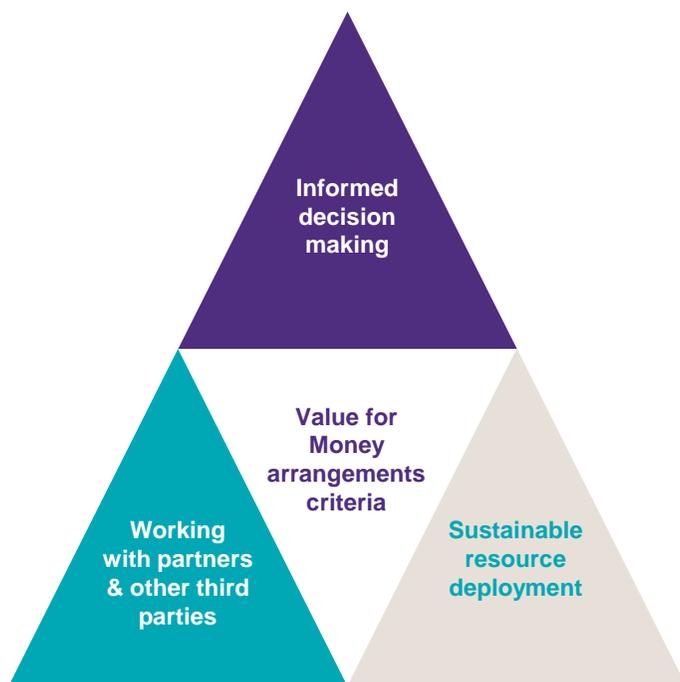
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance 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.”*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in February 2018 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2018.

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.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

# Value for Money

## Our work

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's response to the findings of Ofsted in December 2016.
- The findings of follow up reviews performed by Ofsted and the Council's ongoing response
- The pace of change achieved following the appointment of an Interim Director and the achievements made following a newly developed improvement plan
- Progress and plans to ensure stability within the service going forward and the use of an integrated model of partnership

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 17 to 18.

## Overall conclusion

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

- except for the matter we identified in respect of Informed Decision Making / Resource Deployment in relation to the OFSTED rating of inadequate, Tameside Metropolitan Borough Council, 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 C.

## Progress post Year End

We discussed findings arising from our work with management.

The Council has made further progress since 31 March 2018 in relation to a further inspection by Ofsted in April 2018 which stated that the strategic direction and focus provided by the interim director of children's services, has accelerated the pace of change in the early help service.

There has also been a concerted effort to recruit permanently to the children's services posts with a consensus of consistency of approach so as not to destabilise the progress made to date.

We have not taken this into account within our conclusion for 2017/18 as this only covers arrangements in place during the financial year.

## 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.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment we did not identify any further risks through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	<p>OFSTED rated the Council's Children's Services as inadequate in December 2016 and the safeguarding board as requires improvement.</p> <p>The Council is currently subject to follow up review. Key areas of concern included the backlog of cases, leadership, management and governance.</p> <p>Although the Council established an Improvement Board with an external independent Chair to co-ordinate actions, there has been limited improvement and a recent inspection stated that the pace of change was to slow. A new Interim Director has recently been appointed and a new plan has been implemented.</p>	<p>We have reviewed the arrangements the Council has in place to respond to the Ofsted concerns.</p> <p>This has included a review of the revised improvement plan.</p> <p>We have reviewed updated reports from Ofsted as they became available and have taken these into account in forming our conclusion. There have been 3 monitoring visits during the 2017/18</p> <p>We have met with the Interim Director of Children's Services who has outlined the plans for improvement going forward.</p> <p>The Council have taken action following the first 2 monitoring visits. The June 2017 inspection which reported a lack of understanding about the key priorities and practice improvement required. The June inspection concluded that the Council had made limited progress.</p> <p>The 2<sup>nd</sup> monitoring visit in September was still reporting that the Council were making slow progress and also suggested that there was a lack of a clear plan.</p> <p>An interim Director of Children's Services was appointed in November and a complete overall of the improvement plan was implemented.</p> <p>The new improvement plan was agreed by the Improvement Board in December 2017. This has a clearer focus on the basics that need improvement. It also focusses on a clearer reporting framework and leadership roles.</p>	

## Key findings continued

We set out below our key findings against the significant risks we identified through our initial risk assessment we did not identify any further risks through our ongoing review of documents. and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p>1 OFSTED rated the Council's Children's Services as inadequate in December 2016 and the safeguarding board as requires improvement.</p> <p>The Council is currently subject to follow up review. Key areas of concern included the backlog of cases, leadership, management and governance.</p> <p>Although the Council established an Improvement Board with an external independent Chair to co-ordinate actions, there has been limited improvement and a recent inspection stated that the pace of change was to slow. A new Interim Director has recently been appointed and a new plan has been implemented.</p>	<p>It has been recognised by the Council that there is increasing pressure on children's services. In March 2017 the council were supporting 584 looked after children, 456 children on child protection plans and there were a further 1,433 children in need. Nationally the pressure on children's services is increasing.</p> <p>The council have significantly increased resources with an extra £8m being invested in 2017/18 and a further £18m budgeted for future years.</p> <p>The 3<sup>rd</sup> monitoring visit by Ofsted undertaken in January 2018 recognised the changes that had been made by the Council and commented that action had been taken to address the previously slow pace of improvement.</p> <p>As well as the development of a social work recruitment and retention plan there has been a change in the terms of reference governing the Improvement Board. Revisions have been made to the size of the board and the frequency of meetings, to better focus on effective participation and drive forward improvement at both pace and scale. Core membership will still embrace full partnership working with partnership agencies being represented by a senior member.</p> <p>However these changes need longer to embed before they will have an impact on the services that children receive.</p>	<p>Responses to the Ofsted monitoring visits have shown that the Council have supported children's services both financially and with improved oversight by both senior leadership and members.</p> <p>The changes that have been implemented are not yet fully embedded and will need time to produce the results needed to improve the Ofsted rating.</p> <p><b>In our view from the work we have undertaken, the Council cannot yet demonstrate sufficient improvement in the delivery of Children's Services to negate the "inadequate" Ofsted rating awarded in December 2016 and therefore an "except for" qualification to the Value for Money opinion has been reported.</b></p>

# Independence and ethics

## Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following audit and non-audit services were identified.

Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of Teacher's Pension Return	4,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,200 in comparison to the total fee for the audit of £105,017 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
George Frederick Byrom Trust – Independent Examination	1,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,000 in comparison to the total fee for the audit of £105,017 and in particular relative to Grant Thornton UK LLP's turnover overall. Further there is no contingent element to it. these factors mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit related</b>			
CFO Insights Online service allowing rapid analysis of key financial performance data	10,000	Self-Interest (because this is a subscription, for an initial three year period (fees £10,000 per annum)	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.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted 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 cost of services £'000
<p>1 The accounts have been amended to remove 2 schools which became academies during 2017/18: Broadoak Primary, and Leigh Primary, had been incorrectly included on the Tameside Asset Register at 31/3/18. This resulted in non current assets being overstated.</p> <p>Loss on disposal is reported below the Cost of Services on the CIES and therefore does not impact on the General Fund. The charge is reversed through the CAA within unusable reserves</p> <p>Amendment to the Revaluation Reserve to reflect disposal of Leigh Primary School movement between unusable reserves only this does not impact on the useable or general fund reserves.</p>	<p>Increase Loss on Disposal 3,518</p>	<p>Decrease Property Plant and Equipment 3,518</p> <p>Adjust Reserves 3,518</p> <p>Decrease Revaluation Reserve 532</p> <p>Increase Capital Adjustment Account 532</p>	0
<p>2 Cash Flow Statement</p> <p>The 'Adjustments to the net deficit on the provision of services for non-cash movements' line of the cash flow statement included £28.5k relating to the Authority's LGPS normal and up front deficit payments made in 17/18.</p> <p>This is a cash movement and should not be netted off the non cash adjustments line. The accounts have therefore been amended to show this material cash movement on a separate line.</p>	0	0	0
<b>Overall impact</b>	<b>£3,518</b>	<b>£3,518</b>	<b>£0</b>

# Audit Adjustments

## Misclassification and disclosure changes

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	0	Annual Governance Statement and Narrative Report	A number of minor amendments were made to the statements to enhance the readers understanding of the Council. Including the effect of the Carillion collapse and events up to the date of signing the opinion.
2	Disclosure	Number of changes to disclosure tables	Note 30 IAS19 Pension Disclosures	The note has been amended to correctly reflect the reported fair value of assets and employer contributions as reported by the actuary.
3	Disclosure	9,400	Note 40 Events after the Balance Sheet Date	Note 40 has been expanded to include the agreement of a new contract for the completion of Vision Tameside. This is a non adjusting post balance sheet event as the contract was signed post 31 March 2018.
4	Disclosure	0	Various	There were small rounding and casting differences of £1k or £2k throughout the accounts which have now been amended where practical. Also minor narrative, typographical and referencing corrections have been made to improve the information provided.
5	Disclosure	0	Note 37	The Contingent liabilities note has been amended to remove reference to pension guarantees. All guarantees should be accounted for either under IAS39 or IFRS 4 and not be included as contingent liabilities. Evidence provided has shown these amounts to be trivial so no further accounting issues noted.

# Audit Adjustments

## Misclassification and disclosure changes continued

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
6	Disclosure	3,250	Note 28 PFI	Amendments have been made to the basic contract values table within this note. This is to correctly reflect the estimated future service charges as produced by the updated PFI model for 2017/18
7	Disclosure	1,260	Note 19 Trade Debtor Table	The aged debt table within note 19 has been amended to remove the cash received at year end which had reduced the total debtors balance. The table now agrees to the trade debtors disclosed in the accounts.

# Fees

We confirm below our final fees charged for the audit and provision of non-audit services..

## Audit Fees

	Proposed fee	Final fee
Council Audit	£105,017	£105,017
Grant Certification	£34,323	£34,323
<b>Total audit fees (excluding VAT)</b>	<b>£139,340</b>	<b>£139,340</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

## Non Audit Fees

Fees for other services	Fees £'000
<b>Audit related services:</b>	
• Teachers Pension Return	£4,200
• Independent Examination George Frederick Byrom Trust	£1,000
<b>Non-audit services</b>	
CFO Insights	£10,000
	<b>£15,200</b>

# Audit opinion

We anticipate we will provide the Council with an except for audit report in relation to VfM

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Tameside Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:  
give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;  
have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and  
have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

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

#### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:  
the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or  
the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

#### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice we are required to report to you if:  
we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or  
we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

### **Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 26, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance.

The Director of Finance 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 2017/18, which give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Overview Panel is Those Charged with Governance.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Qualified conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller & Auditor General in November 2017, except for the effects of the matter described in the basis for qualified conclusion section of our report we are satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### **Basis for qualified conclusion**

In considering the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources 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.

Although the Authority established an Improvement Board with an external independent Chair to coordinate actions there was limited improvement and a re-visit by Ofsted in January 2018 stated that there is still considerable work to do to improve the quality of practice delivered to children in need of help and protection. A new Interim Director was appointed in November 2017 and a new plan to address the issues identified by Ofsted is being implemented. At 31 March 2018 the overall inadequate rating remained in place.

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

#### **Responsibilities of the Authority**

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.

#### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

#### **Report on other legal and regulatory requirements - 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 Local Audit and Accountability Act 2014 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 2018. 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 2018.

Signature to be added

Mike Thomas  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

Date to be added



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