

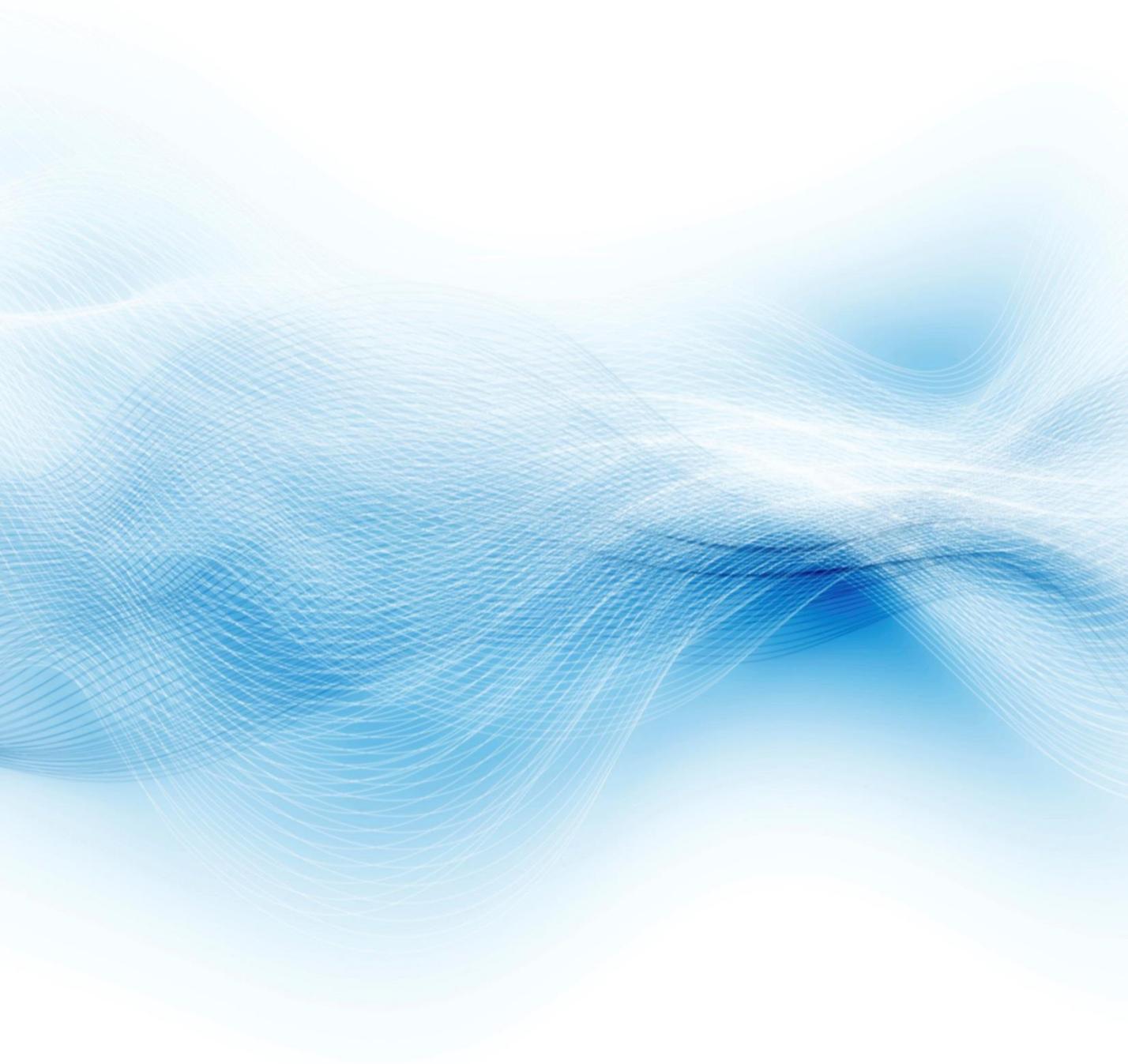


Audit Completion Report

Tameside Metropolitan Borough Council

Year ended 31 March 2019

Draft v3



CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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

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25 July 2019

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 12 March 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07721 234 043.

Yours faithfully

Karen Murray
Mazars LLP

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VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Tameside Metropolitan Borough Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Audit Panel meeting on 29 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Valuation of land and buildings
- Valuation of net pension fund liability
- Valuation of the Council's shareholding in Manchester Airport
- Accounting for Tameside One building

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

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

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No questions or objections have been raised.

1. EXECUTIVE SUMMARY

Status of our audit work

We commenced our on-site audit work on 1 July 2019 and plan to complete the audit by 31 July deadline, subject to receiving satisfactory responses to all of our queries. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Testing of land and buildings valuation		Completing testing of land and buildings valuation postings between the Comprehensive Income and Expenditure Statement and Revaluation Reserve.
General		Completion of a small number of audit tests and also sundry audit housekeeping matters and audit completion steps.
Whole of Government Accounts		The deadline set by the NAO for the completion of this work is 13 September 2019.
Signed final statements and signed Management Representation Letter		Following the Audit Panel on 29 July 2019, the Council will provide updated and signed copies of the financial statements, annual governance statement and Management Representation Letter.

Status

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

We will provide the Audit Panel with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.



1. EXECUTIVE SUMMARY

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented to the Committee in March 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £11.138m using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £10.917m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Panel), at £0.328m based on 3% of overall materiality.

We have set a lower level of materiality for specific disclosures such as for senior officer's remuneration.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Panel in a follow-up letter.



2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

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

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Description of the risk

Management override of controls

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

We have not identified any significant matters arising from our testing of the risk of management override of controls.



2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of land and buildings

Description of the risk

The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment (PPE), with the majority of property assets required to be carried at valuation. Due to the high degree of estimation uncertainty associated with these valuations especially within land and buildings, we have determined there is a significant risk in this area.

How we addressed this risk

We addressed this risk by performing work in the following areas:

- critically assessed the scope of the Council valuer's work, qualifications, objectivity and independence to carry out the Council's programme of revaluations;
- considered whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, social housing statutory guidance, the CIPFA Code of Practice and the Council's accounting policies;
- critically assessed the appropriateness of the underlying data and the key assumptions used in the valuer's calculations;
- critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;
- critically assessed the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially correctly valued;
- tested a sample of revaluations in the fixed asset register to the valuer's report and the underlying information provided by the Council to the valuer; and
- tested a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.

Audit conclusion

Before we conclude we are awaiting evidence from the Council to support revaluation postings between the CIES and Revaluation Reserve. Our audit has identified a control recommendation regarding valuation data in Section 3 and non-material errors within note 12, Property Plant and Equipment. These are reported in Section 4.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of defined benefit pension liability

Description of the risk

The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2016.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.

How we addressed this risk

We addressed this risk by performing work in the following areas:

- critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson;
- liaised with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;
- Reviewed the impact of the Guaranteed Minimum Pension and McCloud legal cases on the net pension fund liability; and
- agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Audit conclusion

We have not identified any material matters to report regarding the valuation of the Council's defined benefit pension liability.

Management have reviewed the basis of the estimate for the liability following two the outcome of two recent court cases. These cases give rise to an additional liability of £6.3m. Management have decided not to amend the accounts on the grounds of materiality. Further details are provided in section 4.

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement

Valuation of the Council's shareholding in Manchester Airport Holdings Ltd.

Description of the management judgement

The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2019. The valuation is determined according to a methodology and applying assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements.

How our audit addressed this area of management judgement

Mazars' in-house valuation team reviewed the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.

Audit conclusion

We have not identified any significant matters from our testing of the valuation of the Council's shareholding in Manchester Airport Holdings Ltd.

Management judgement

Accounting for Tameside One Building

Description of the management judgement

The Tameside One building came into operational use during March 2019. The valuation of the building and decision to transfer out of assets under construction involves estimation and judgement by management.

How our audit addressed this area of management judgement

We have reviewed the information used by management to determine that the Tameside One building was ready to transfer out of assets under construction and the valuation process followed.

We have discussed the valuation methodology with the Council's external valuer and inspected the information used to compute the valuation.

Audit conclusion

We have not identified any significant matters from our testing of the Council's accounting for the Tameside One Building.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

The Council is required to prepare its financial statements on a going concern basis by the Code of Audit Practice on Local Authority Accounting (the Code). We have considered the appropriateness of the use of the going concern assumption and have reviewed the Council's accounting policies and disclosures. Subject to a small number of narrative amendments we have concluded that they comply with the requirements of the Code, suitably tailored to the Council's circumstances.

Draft accounts were received from the Council on 29 May 2019, in advance of the 31 May deadline together with most of the supporting working papers.

Significant matters discussed with management

During the audit we discussed with management the impact of the McCloud and Guaranteed Minimum Pension on the Council's net pension liability. This resulted in the unadjusted difference reported in Section 4.

Significant difficulties during the audit

During the course of the audit we have experienced some difficulties in obtaining information from the Estates department to corroborate the information supplied to the external valuer. There were some weaknesses in the Council's arrangements for ensuring the timely and accurate provision of information to the valuer and therefore some discrepancies in the data held by both parties.

We have had the full co-operation of management throughout the audit.

Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have received no correspondence from local electors regarding the 2018/19 accounts.



3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

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

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

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	1
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	None



3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Significant deficiencies in internal control – Level 1

Description of deficiency

There were weaknesses in the Council's arrangements for reproducing the evidence they provided to the valuer to support land, buildings and investment property valuations, which in turn identified discrepancies in the data held by both parties.

Potential effects

If accurate property records are not provided to the external valuer this can result in errors in the financial statements.

Recommendation

Maintain an audit trail of information sent to the valuer.

Management response

Difficulties were experienced in providing a full audit trail of the information provided to the external valuer due in part to the loss of key personnel within the Estates team and a loss of files, documents and building drawings following the collapse of Carillion FM. A Strategic Review of the Estates service took place in May 2019 and work is now in progress to address recommendations from this review, including the procurement of a new external valuation service. As part of this process, an external independent surveying firm is being procured to provide advice, support with specification and to provide a critical oversight of the valuation process to ensure that it is completed effectively. In addition to this, their remit shall also include a level of auditing and help produce a standard operating procedure to ensure that documentation requirements, roles and responsibilities are clearly understood with processes to follow.

Other deficiencies in internal control – Level 2

Description of deficiency

The fixed asset register is an excel spreadsheet which is updated annually. There is a historic difference between the register and the general ledger. Given the size of the asset base management should investigate if a bespoke asset register would be more suitable.

Potential effects

Spreadsheet formulae errors could lead to mis-statement in the Council's draft accounts.

Recommendation

Investigate if a bespoke fixed asset register would be more appropriate to the Council's circumstances.

Management response

Financial Management recognise that the current spreadsheet based asset register is no longer fit for purpose, with its operation being inefficient and prone to error. Work was undertaken during 2018/19 to procure an asset register database for accounting purposes. Implementation of this new database has already commenced and will be concluded in advance of the preparation of the 2019/20 accounts.

Follow up of previous internal control points

As 2018/19 is the first year of our appointment as the Council's external auditor, there are no previous internal controls points to follow up and report.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.328m.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

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

Unadjusted misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr	Cr	Dr	Cr
1	Dr Net cost of services (Past Service Cost)	£6.310m		
	Cr Re-measurement of Pension Liability			£6.310m
	Dr Pension Liability		£6.310m	
	Cr Pension Reserve			£6.310m

Relates to an actuarial estimate of the additional cost to the net pension fund liability arising from the Guaranteed Minimum Pension and McCloud legal cases.

The adjustment would increase the Council's pension liability by £6.31m, with a corresponding increase in the Pension Reserve. The transactions would be included within the service costs (as a past service cost) and adjusted through the Movement in Reserves Statement so that they do not impact on the Council's Usable Reserves.

2	Dr Property Plant and Equipment		£0.473m	
	Cr Revaluation Reserve			£0.473m

Relates to an undervaluation of a school and related property due to discrepancies in the information presented to the external valuer. Operational land and buildings revaluations impact the Council's revaluation reserve and not impact the General Fund.

3	Dr: Investment Properties		£0.650m	
	Cr: Land and buildings			£0.650m

Relates to the misclassification of an investment property held as land and buildings.

Total unadjusted misstatements		£6.310m	£6.310m	£7.433m	£7.433m
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4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr	Cr	Dr	Cr
1	Dr: Other long term liabilities (donated assets) Cr: Capital Adjustment Account		£10.658m	£10.658m
<p>To remove the donated assets liability which was incorrectly created when Heritage Assets were first recognised in 2011/12. The adjustment moves the balance to the Capital Adjustment Account, reflecting the fact the Heritage Assets are subject to restrictions rather than conditions in accordance with the Code.</p>				
2	Dr: Heritage assets Cr: Revaluation Reserve		£4.548m	£4.548m
<p>Relates to a revaluation of heritage assets based upon the 2015 insurance valuation. No impact on General Fund.</p>				
3	Dr: CIES Financing and investment income and expenditure Cr: Investment Property Dr Capital Adjustment Account Cr General Fund	£2.501m	£2.501m	£2.501m
<p>Relates to a downward revaluation in Ashton Market Hall omitted from the financial statements. The movement is reversed by statute through the reserves so no net impact on General Fund.</p>				
4	Dr: Capital Adjustment Accounts (Reserves) Cr: Assets under construction		£5.902m	£5.902m
<p>Relates primarily to three schools (New Hyde Primary, New Ashton Primary and Samuel Laycock School) which are no longer the Council's assets under construction. This is being accounted for as a prior year adjustment by management as they should have been written off in 2014/15 and 2015/16.</p>				

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Disclosure amendments

In addition to the adjustments outlined above, the Council has made a number of adjustments to improve the disclosures in the financial statements. These were mainly contextual or presentational and include:

- relocation of the Greater Manchester Metropolitan Debt Administration Fund accounts and disclosure notes as these do not form part of the Council's Statutory Accounts;
- addition of a disclosure to the cash flow statement showing reconciliation of liabilities arising from financing activities. This was a new requirement of the Code for 2018/19. (note 33a);
- adjust some of the disclosure entries of the Financial Instruments in notes 19 and 20;
- removal of a contingent liability disclosure in note 37 relating to a guarantee to Tameside Sports Trust;
- amend finance lease future liability from £15.834m to £19.197m in note 27 relating to Plantation property.



5. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

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

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified two significant Value for Money risk(s). The work we carried out in relation to significant risks is outlined overleaf.

During the course of our audit we identified a further risk in respect of the Value for Money conclusion relating to the Council's governance and decision making in respect of the completion of the Tameside One building. Our findings in respect of this risk are also summarised overleaf.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.



5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified two significant Value for Money risk(s). The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p>1. Council's Response to Inadequate Ofsted rating</p>	<p>OFSTED rated the Council's Children's Services as 'inadequate' in December 2016 and the safeguarding board as 'requires improvement'. Key areas of concern included the backlog of cases, leadership, management and governance.</p> <p>The VFM risk relates to our gaining a full understanding of the interventions made by the Council to address the original concerns raised by OFSTED. The full extent of the improvement will not be known until OFSTED carries out a full re-inspection to reassess the rating.</p> <p>The Council now has an established Improvement Board and is working with partners to progress with the Improvement Plan. During 2018/19 this has included scrutiny, support and challenge from the Council's Improvement Partner, as well as external partners including the DfE Intervention Advisor, Ofsted, and from peer consultation with other local authorities who have been on the improvement journey.</p> <p>The Council's commitment to addressing the previously slow progress was reflected in the OFSTED findings published on 1 July 2019. Following a re-inspection of local authority children's social care services in May 2019, the Council was rated as "Requires improvement to be good" across each assessment area and for overall effectiveness, thus lifting the December 2016 "Inadequate" rating.</p> <p>OFSTED recognise that changes in the senior leadership have supported a strengthened "whole-council" commitment to improving the quality and impact of services for children. This is manifested in an increase in the pace of and effectiveness of service development and the development of a new locality based model.</p> <p>This trend of improvement has been noted in your OFSTED themed reviews since the December 2016 inspection.</p>	<p>We are satisfied that the Council's arrangements for addressing the concerns of OFSTED were sufficient as the inspectorate re-scored the Children's Services out of inadequate. Whilst we recognise that further improvement work is required we are satisfied that arrangements are in place to secure value for money.</p>

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
<p>2. Care Together Governance Arrangements</p> <p>The Care Together Programme and the creation of an integrated system of health and social care brings together Tameside and Glossop Clinical Commissioning Group (CCG), Tameside Metropolitan Borough Council and Tameside and Glossop Integrated Care NHS Foundation Trust to reform health and social care services to improve the health outcomes of residents and reduce health inequalities.</p>	<p>The Council continues to work closely with the CCG and good progress has been made to deliver improvements in health and social care across Tameside.</p> <p>Council and CCG resources are pooled into a single Integrated Commissioning Fund (ICF) underpinned by a financial framework which became operational on 1 April 2016. The ICF has successfully enabled single commissioning arrangements for healthcare.</p> <p>Governance arrangements are headed by the Strategic Commissioning Board which meets monthly, with representation from Council and CCG to review expenditure and variances in the ICF.</p> <p>The Council and CCG commenced reporting on the total resources available to the Council and CCG in 2018/19. Integrated financial reporting takes place monthly to the Strategic Commissioning Board and Executive Cabinet.</p> <p>The ICF itself is made up of a pooled budget, aligned services agreement and in-collaboration services agreement. The 2018/19 ICF Strategic Financial Plan was for net expenditure of £589m, of which £186.514m (32%) is contributed by the Council. The outturn for 2018/19 was a net underspend of £26,000. Integrated financial reporting takes place to the Council's Executive Cabinet and Strategic Commissioning Board.</p> <p>Integration between the Council and CCG is more advanced than many other areas. This is evidenced by the expansion of the ICF to include all Council and CCG expenditure of over £900m a year, together with workforce integration and a shared senior leadership between Council and CCG..</p>	<p>We conclude that for 2018/19 the Council has made proper arrangements to address the governance risk surrounding health and social care integration.</p>



5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
<p>3. Council's governance of the completion of the Tameside One building</p>	<p>Following Carillion's liquidation in January 2018, the Council and the LEP were keen to ensure that work on the Tameside One building could recommence as soon as possible so that the building could be brought into use.</p> <p>At the end of January 2018, the LEP notified the Council that it had served notice on Carillion through its liquidators and intended to enter into an early works agreement with a new main contractor who would then recommence work on the site. An urgent paper was presented to Executive Cabinet on 7 February 2018 to update them on the actions and the appointment of the new contractor. This report made clear that the new contractor was engaged into an Early Works Agreement on an open book cost plus contractual basis.</p>	<p>We obtained sufficient evidence that the overall governance arrangements for the completion of this project were adequate..</p>
<p>Carillion went into liquidation on 15 January 2018. At this point, the Tameside One building was approximately 100 days from completion.</p>	<p>The Council immediately recognised that the costs to completion of this site were then likely to increase. Two separate independent consultants were therefore engaged to ensure that, firstly, the work proposed by contractor was required and secondly that the charges proposed under the new contract were consistent with the appropriate market rates.</p>	
<p>Following the 15 January 2018, Government appointed a liquidator who immediately secured the building site and prevented the LEP and its subcontractors from having access to any of the building or associated documentation.</p>	<p>Executive Cabinet received a further report on 20th June 2018, which sought approval for an additional budget of £9.4m to enable the completion of the Tameside One building. This additional budget reflected the impact of the change to a "cost plus" contract together with the costs associated with taking over a site at this stage of completion, including some outstanding elements of internal design work not completed by Carillion. Executive Cabinet was also appraised of the charges levied by the liquidator for its services in the period from January 2018 onwards through on-going budget monitoring reports.</p>	
	<p>The building was completed by the new contractor and the Council and Tameside college were able to operate from there from March 2019. The retail element of the site is also in operational use.</p>	

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Draft management representation letter (prepare on Council letterhead)

Karen Murray
Director
Mazars LLP
One St Peter's Square
Manchester
M2 3DE

XX July 2019

Dear Karen

Tameside Metropolitan Borough Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Tameside Metropolitan Borough Council (the Council) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

I confirm as Director of Finance and s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

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

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

I confirm the following matters regarding estimation uncertainty:

the appropriateness of the measurement process, including related assumptions and models, used in determining accounting estimates under IFRS, and the consistency of application of the process;

that disclosures related to accounting estimates are complete and appropriate under IFRS;

that no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where: information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and the amount of the loss can be reasonably estimated.

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

There are no contingent gains which should be disclosed.

All material matters, including un-asserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

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

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

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Fraud and error

I acknowledge my responsibility as Director of Finance / s151 Officer] for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

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

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

Related party transactions

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

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

Future commitments

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

Subsequent events

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

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

Going concern

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

Unadjusted misstatements

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

Specific representations

I confirm that with regards to the Council's valuation of its Long-Term Investment in Manchester Airport Group of £52.7m, I am satisfied that the assumptions of future growth for the Manchester Airport Group which underpin the valuation are reasonable and appropriate.

Yours faithfully
Director of Finance / s151 officer

APPENDIX B

DRAFT AUDITOR'S REPORT

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

Report on the financial statements

Opinion

We have audited the financial statements of Tameside Metropolitan Borough Council ('the Council') for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Tameside Metropolitan Borough Council as at 31st March 2019 and of the Council's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

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

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

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

We have nothing to report in this regard.

Responsibilities of the Director of Finance for the financial statements

As explained more fully in the Statement of the Director of Finance's Responsibilities, 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 2018/19, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible 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.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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. This description forms part of our auditor's report.

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

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

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

We have nothing to report in these respects.

Conclusion on Thameside Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Thameside Metropolitan Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure 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 arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Karen Murray
For and on behalf of Mazars LLP
One St Peter's Square
Manchester
M2 3DE
XX July 2019

APPENDIX C INDEPENDENCE

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

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



CONTACT

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