



Audit Completion Report

Tameside Metropolitan Borough Council
Year ending 31 March 2020

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18 November 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. 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 10 March 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council/ / Authority was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

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

Yours faithfully

Karen Murray
Partner
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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 2020, and forms the basis for discussion at the Audit Panel meeting on 24 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 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:

Significant Risks

- Management override of control
- Property, plant & equipment (PPE) valuation
- Defined benefit liability valuation

Key areas of management judgement

- Valuation of airport shareholding
- Completeness and accuracy of PPE – Transition to new Fixed Asset Register
- Accounting for schools

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

Subject to the satisfactory completion of the remaining audit procedures, we anticipate issuing an unqualified opinion on the financial statements, with an 'emphasis of matter' modification to the form of the auditor's report.

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.

Whole of Government Accounts (WGA)

We will complete our work on your WGA submission, in line with the group instructions recently issued by the NAO. 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 Tameside Metropolitan Borough Council and to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.

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1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding (please note that the amber areas are due to these being material areas of the accounts where we are completing our work, but do not indicate significant findings or a lack of relevant detail from officers):

Audit area	Status	Description of outstanding matters
PFI	●	We are finalising our update review of the PFI models and entries within the accounts, as well as the entries in the revised fixed asset register.
Operating Leases - Lessor	●	We are finalising consideration of the appropriate disclosures required in the operating leases note where the Council is lessor of land at Manchester Airport.
Journals Testing	●	We are finalising our work on the journal records of the Council.
Income & Expenditure	●	We are finalising our work on a small number of income and expenditure transactions, including cut-off.
Financial Instruments	●	We are finalising our consideration of the analysis and classification of financial instruments.
Post Balance Sheet Events Review	●	We will update our review of post balance sheet events disclosures up to the date of signing our audit report.
Whole of Government Accounts	●	Due to the significant delays with the NAO Group Instructions for local authority audits in 2019/20, our work on the Council's WGA consolidation pack remains outstanding. Further details on this matter are provided on page 12.
Signed final statements and signed Management Representation Letter	●	We will complete our final review of the financial statements to confirm all expected changes have been made, upon receipt of the signed version of the accounts and letter of representation.

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.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2020. 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 £10.967m using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £11.973m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Panel, at £0.359m based on 3% of overall materiality).

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2. EXECUTIVE SUMMARY (CONTINUED)

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

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. On page 11 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Tameside Metropolitan Borough 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.

Significant risk

Management override of controls

Description of the risk

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

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 are still finalising our work on the journal records. There are no matters arising from the other areas of our work completed against this risk.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of Land & Buildings and Investment Property

Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a four year cycle with all retail properties and a significant proportion of investment properties revalued annually.

The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.

As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.

How we addressed this risk

We have:

- Critically assessed the Council's valuer's scope of 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, and the CIPFA Code of Practice;
- Critically assessed the appropriateness of the underlying data and the key assumptions used in the valuer's calculations, using available third party evidence;
- Considering whether the valuation changes in 2019/20 are consistent with evidence of changes in industry published indices of changes in build costs;
- Assessed the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;
- 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 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer; and
- Tested a sample of items of capital expenditure in 2019/20 to confirm that the additions are appropriately valued in the financial statements.

Audit conclusion

We have completed our work in this area and there are no matters arising to bring to your attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of Defined Benefit Pension Liability	<p>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 2019. 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.</p> <p>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 2019/20.</p>

How we addressed this risk

We have:

- 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 and obtained 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 valuations for the Council and the two subsidiary companies. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and
- Agreed the data in the IAS 19 valuation reports for the Council provided by the actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

In addition our work focused on two issues that emerged through 2020. In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' case, an estimate of which was included in the Council's liability in 2019/20. The proposed remedy indicates that the actuarial estimate of the liability for 2019/20 was likely to be overstating the pension fund liability but not materially. A second emerging issue this year is the 'Goodwin' case which also relates to groups of pension fund members suffering discrimination. Although the impact of 'Goodwin' is still being clarified the Council's actuary have provided details of the impact on the Council's liability. We have reviewed the evidence provided by the pension fund and the Council's actuary in order to conclude on the material accuracy of the liability.

Audit conclusion

We have completed our work programme in respect of this risk. We are satisfied that the entries within your accounts are appropriate with the inclusion of a revised disclosure (to be inserted in Note 44) for the following issue:

The Pension Fund and its auditor have highlighted a "material valuation uncertainty" over the valuation of the Pension Fund's property holding. This is disclosed in the notes to the Council's Accounts and, in line with normal practice, we will include reference to this disclosure as an 'emphasis of matter' in our audit report. The inclusion of an 'emphasis of matter' paragraph is not a modification or qualification of our audit opinion.

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement

Valuation of Airport Shareholding

Description of the management judgement

The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited (MAHL) at 31 March 2020. The valuation is determined under IFRS13 applying a consistent methodology to previous and applying key 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

Our approach to auditing the investment in Manchester Airport Holdings Limited included the involvement of the Mazars in-house valuation team.

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

We reviewed the calculation of the valuation by the Council's external valuation expert in light of the update financial information available in July 2020 from the published MAHL financial statements for the year to 31 March 2020.

Audit conclusion

We have completed our procedures and there are no matters arising against the valuation of the Council's investment in MAHL.

Other Risk

Completeness and Accuracy of Property, plant and equipment (PPE) – Transition to new Fixed Asset Register

Description of the risk

In the current year a new fixed asset register has been implemented and thereby all data for the entirety of the PPE portfolio has been reviewed by management and transitioned to the new register within the year.

How our audit addressed this area of management judgement

We performed audit procedures to gain assurance over the completeness and accuracy of the transition of data to the new fixed asset register. We have:

- Gained an understanding of the approach and processes being used by management;
- Obtained and reviewed management's reconciliations of data between systems;
- Performed testing to ensure balances in the 2019/20 fixed asset register agree with the reconciliation data provided ; and
- As part of our testing of PPE agreed the underlying data used by the Council's valuation expert.

Audit conclusion

We have completed our procedures and there are no matters arising

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement

Accounting for Schools

Description of the management judgement

The Council continues to account for schools in its single entity financial statements. In addition the Council discloses that it includes in its financial statements the following categories of schools: Community, Voluntary Aided, Voluntary Controlled and Foundation.

How our audit addressed this area of management judgement

We will consider the continued accounting treatment of the Council's schools and its compliance with the requirements of the CIPFA Code and other sector guidance.

Audit conclusion

We have completed our procedures and there are no matters arising.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

We have reviewed Tameside Metropolitan Borough Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Tameside Metropolitan Borough Council's circumstances.

The Council is required to prepare its financial statements on a going concern basis by the Code of 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 and concluded they comply with the requirements of the Code, appropriately tailored to the Council's circumstances.

Although we had received some elements of the accounts earlier, full draft accounts were received from the Council on 5th August 2020. The draft accounts were of a good quality. Good supporting working papers have been made available in a timely manner and these have assisted our audit progress. Council finance officers have been very helpful in promptly answering our detailed audit queries.

Significant matters discussed with management

The significant matters we discussed with management through the audit included:

- The impact of COVID-19 on the Council's financial statements, including potential impact on risks of material misstatement. We concluded that there were no additional risks of material misstatement in 2019/20.
- The valuation of the Council's land & buildings and investment property. The outcome of this work is reported earlier in the report.
- The valuation of the Council's investment in Manchester Airport Holdings Limited. The outcome of this work is reported earlier in the report.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

While the impact of the COVID-19 pandemic on the audit should be noted and the difficulties for both ourselves and officers in conducting the audit remotely, we have had the full co-operation of the finance team and Council management through 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 2019/20 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 not received any questions or objections during our audit from electors.



2. SIGNIFICANT FINDINGS (CONTINUED)

Modifications required to our audit report

We have identified the following issue(s) which has/have resulted in us proposing to issue a modified audit opinion. Our draft auditor's report, in full, is set out in Appendix B.

Issue	Impact on our audit opinion
<p>Material Valuation Uncertainty – the Council's share of the Pension Fund's Property related investments</p> <p>As part of our work on the Council's net defined benefit pension liability, as referred to on page 8, we have had to consider the implications arising from disclosures made in the Greater Manchester Pension Fund's accounts.</p> <p>The Fund's independent valuer has highlighted a material valuation uncertainty in respect of the direct property related assets of the Fund as a result of the Covid19 pandemic. This is due to the reduction in the number of transactions in the market and the impact this has on relevant observable data upon which to base a valuation judgement.</p> <p>Our work and discussions with the Fund's management also highlighted there to be the corresponding risk in relation to the indirect property assets held by the Fund. Necessary disclosures have been included within the accounts.</p> <p>Having assessed the council's exposure to this issue via the share of property investments assets held, we have concluded that this represents a material valuation uncertainty that the Council should disclose.</p>	<p>We propose issuing an unqualified audit opinion in respect of this matter, however, the Auditor's Report is modified.</p> <p>The modification to our audit report will be in the form of an 'Emphasis of Matter' and our proposed audit report is included at Appendix B.</p>

Possible delay in Audit certificate – Whole of Government Accounts

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts alongside the accounts opinion and value for money conclusion.

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 (WGA) consolidation pack.

The NAO's WGA Group Instructions regarding the audit work required and its timetable for audit reporting have been significantly delayed in 2019/20. Group instructions were issued on the 5 November 2020 so the timing of our review of your WGA submission is to be confirmed. We will report the results in our Annual Audit Letter.

As a result, it is likely that we will issue the Auditor's Report without the Audit Certificate. We will issue the Audit Certificate separately as soon as we are able to do so (on completion of our WGA work).

At this stage the draft Auditor's Report at Appendix B assumes that we are unable to issue the Audit Certificate alongside the accounts audit opinion and value for money conclusion.



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.	0 (none)
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.	0 (none)
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0 (none)



3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Significant deficiencies in internal control – Level 1

We have not identified any significant deficiencies in internal control.

Other deficiencies in internal control – Level 2

We have not identified any other Level 2 deficiencies in internal control.

Other recommendations on internal control – Level 3

We have not identified any other Level 2 deficiencies in internal control.

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency – Level 1

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. This was exacerbated by the loss of key personnel and the collapse of Carillion FM.

Potential effects

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

Recommendation

Maintain an audit trail of information sent to the valuer.

2019/20 update

Through our work on the valuations performed, we are satisfied that there are appropriate arrangements in place to control and provide accurate data to the valuation expert. Significant progress has been made to ensure effective record keeping.

Description of deficiency – Level 2

There were weaknesses in the Council's arrangements for maintaining the fixed asset register and record of the Council's PPE assets as it was being maintained in an annually updated, excel spreadsheet.

Potential effects

Spreadsheet formulae errors could lead to misstatement in the Council's draft accounts.

Recommendation and Response

In response to the recommendation made in 2019/19 the Council has procured and implemented a new fixed asset register (FAR).

2019/20 update

Through our work on the valuations performed, and reconciliations of the data transfer to the new FAR, we are satisfied that an appropriate fixed asset register was in place to produce the 2019/20 accounts.

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 £0.359m.

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 2019/20

There are no unadjusted misstatements to bring to your attention. However, we do bring your attention to the matters outstanding as indicated on page 4. If following the conclusion of these outstanding audit procedures there are unadjusted misstatements we will include necessary tables in our subsequent letter.



4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1				
Dr: Other Grant Income (Note 5)	486			
Cr: Dedicated Schools Grant (DSG) Income (Note 5)		486		

The categorisation of grant income in Note 5 has been restated from Other Grant income to DSG. There is no impact on the reported outturn for 2019/20.

Disclosure amendments

We have identified a small number of disclosure amendments that were necessary in the financial accounts to improve and enhance reporting.

We have requested the Council review and amend some comparator information in the Collection Fund statement as several lines reflect the 2017/18 values rather than 2018/19 figures. These are typographical errors only and do not impact the reported 2018/19 balance carried forward or the primary financial statements. We will confirm necessary amendments as part of our completion of the work outlined on page 4 in respect of a final and amended set of accounts.

We are finalising our review and as outlined on page 8 the Council has proposed and agreed with ourselves enhanced disclosures to be included within Note 44,

As noted on page 4, there are a few areas where we are finalising our work. If there are any significant disclosure amendments following the completion of these audit procedures we will summarise and report back to the Audit Panel in our communication letter.

5. VALUE FOR MONEY CONCLUSION

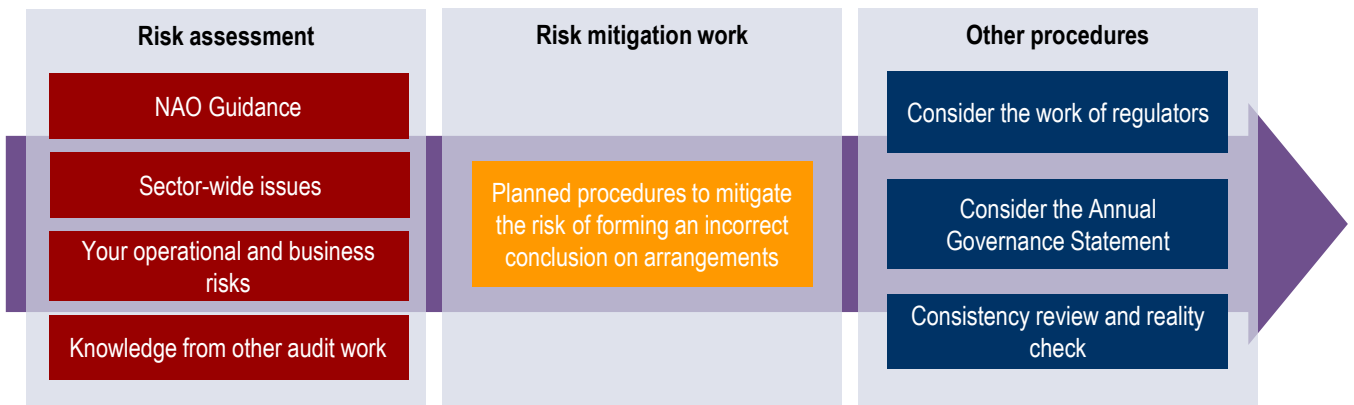
Our approach to Value for Money

We are required to form a conclusion as to whether the Tameside Metropolitan Borough 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 Tameside Metropolitan Borough 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

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided overleaf.



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 one significant Value for Money risk relating to financial sustainability.

The work we carried out in relation to the significant risk is outlined on page 19.



5. VALUE FOR MONEY CONCLUSION

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The arrangements in place to manage this risk are appropriate and effective.</p> <p>The Council has arrangements in place to comply with the principles and values of sound governance. The Council is geared towards acting in the public interest, with the decision making process being underpinned by appropriate, timely, and reliable financial information.</p> <p>The Council maintains a sound system of internal control.</p>	Yes
Sustainable resource deployment	<p>The arrangements in place to manage this risk are appropriate and effective.</p> <p>The planned use of the financial resources of the Council support the strategic priorities and maintaining the statutory functions. Assets are managed and utilised in such a way to facilitate meeting these priorities and functions.</p> <p>The workforce is deployed in such as way as to make this possible.</p>	Yes
Working with partners and other third parties	<p>The arrangements in place to manage this risk are appropriate and effective.</p> <p>The Council has put in place management and oversight functions to ensure that the work carried out with third parties helps achieve strategic priorities. This includes the effective commissioning of services where required. The commissioning and procurement functions of the Council support the delivery of strategic priorities.</p>	Yes



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 one significant Value for Money risk. The work we carried out in relation to this significant risk is outlined below.

Risk	Work undertaken	Conclusion
<p>Financial Sustainability</p> <p>The Council has identified and set out the financial challenges it faces over the period 2019/20 to 2023/24.</p> <p>Though not unique to Tameside, they do present a significant audit risk in respect of considering the arrangements that the council has in place to deliver financial sustainability over the medium term.</p>	<p>Work undertaken</p> <p>We reviewed the arrangements the Council had in place throughout 2019/20 for ensuring financial resilience.</p> <p>Specifically we reviewed whether the medium term financial plan took into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. We also reviewed the arrangements in place to monitor progress delivering the budget and related savings plans, and in the context of the emerging impact of the COVID-19 pandemic.</p> <p>Findings</p> <p>The net revenue budget requirement for the Council for 2019/20 was set at £196.803m, with gross revenue expenditure being £526.188m. In setting this budget, the Council planned to use £9.3m of reserves to support the provision of services after the delivery of identified savings plans. The Council was able to deliver the programme to a net overspend on revenue of £0.013m, though this was achieved as a result of several significant non recurrent financial interventions, including one-off savings and additional one-off income. However, this did mitigate against the need for any additional use of reserves than was originally planned.</p> <p>The Council faces a significant challenge in ensuring its financial sustainability over the medium term. This challenge, which is exacerbated by the Covid-19 situation, has been developing over several years. In addition, the Council continues to face financial pressures arising from demand in some services, most notably Children's services which saw an £8.4m overspend against budget in 2019/20.</p> <p>In setting the 2020/21 budget, the Council made a number of decisions including the planned the use of a further £12.4m of reserves and use of the dividend income from Manchester Airport to support services in the year. The budget also required the Council to deliver savings in areas</p>	<p>We conclude that the Council has proper arrangements to deliver financial sustainability in the medium term, but will have to respond to significant challenges in doing so.</p>

(continued overleaf)



5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
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Financial Sustainability	Findings (continued)	
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See page 19 for full description of risk.

including Children's services, in order to mitigate the growing demand led financial pressures.

However, the financial position for 2020/21 became significantly more difficult because of the COVID-19 pandemic. The Council is continuing to refine its assessment of the impact of COVID-19 on 2020/21 and future years.

It is apparent that there are also significant additional cost pressures, particularly in delivering Social Care, and significant levels of lost income. The lost income relates to fees and charges, income from the Council's investments including that in the Manchester Airport Group, and an impact on the Collection Fund for both council tax and business rate income. The Council has continued to respond to the government's request for increasingly detailed financial information in monthly returns and is therefore tracking its position closely.

The arrangements in place at the Council for budget setting and updating the Medium Term Financial Plan (MTFP), provide a clear financial framework for the Council. However, they are impacted by factors outside of the Council's direct control including the:

- delayed comprehensive spending / fair funding review;
- impact of business rates reset; and
- review of the business rates retention pilot.

In identifying these uncertainties, management have made a series of assumptions that can be updated as information becomes available.

Officers have prepared and presented to members a financial impact analysis highlighting the likely and significant funding gaps for each year in the period 2020/21 to 2025/26.

Since a peak in the levels of reserves in 2016/17, the Council has continued to utilise reserves to support service delivery and as a result, these have been reduced. This has been monitored and managed as the Council has identified the savings and transformation plans to continue to deliver services to residents and service users.

Although the Council still has significant levels of earmarked reserves as at 31 March 2020, these will not be sufficient to sustain the Council's financial position over the medium term given the estimated impact of the pandemic. This means the Council needs to ensure that the strategic decisions it has taken about its services it wants to provide are implemented and the savings it has identified as necessary are delivered.

(continued overleaf)



5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
Financial Sustainability	Findings (continued)	
See page 19 for full description of risk.	The arrangements in place for monitoring the financial position will allow the Council to identify any emerging additional pressures or slippage in the delivery of these plans. However, it is vital, given the scale of what has to be achieved, that management and Executive Members are held to account for delivery of plans. Without this, there is a risk the Council will not be in a position to take timely remedial action, particularly where the action requires consultation because it impacts workforce or the level and type of services the Council can provide for residents.	

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 2019/20 financial year.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

To be provided to us on client headed note paper

Date

Dear Karen

Tameside Metropolitan Borough Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Tameside Metropolitan Borough Council ('the Council') and its Group for the year ended 31 March 2020 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 2019/20 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

Contingencies

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

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

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DRAFT MANAGEMENT REPRESENTATION LETTER

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

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

Laws and regulations

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

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

Fraud and error

I acknowledge my responsibility as Director of Finance 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.

Covid-19

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

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

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

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DRAFT MANAGEMENT REPRESENTATION LETTER

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. All uncorrected misstatements are included in the Appendix to this letter.

Yours faithfully

Kathy Roe
Director of Finance



APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Tameside Metropolitan 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 2020, which comprise the Council's Comprehensive Income and Expenditure Statements, the Movement in Reserves Statements, the Balance Sheets, the Cash Flow Statement, the Collection Fund, 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2020 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 2019/20.

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.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land and buildings

We draw attention to note 44 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's share of Greater Manchester Pension Fund's property assets. As disclosed in note 44 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic creating a shortage of relevant market evidence upon which to base their judgements. Our opinion is not modified in respect of this matter.

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

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

APPENDIX B

DRAFT AUDITOR'S REPORT

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 Responsibilities for the Statement of Accounts 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 2019/20, 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 2019/20 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 Tameside 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, Tameside 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 2020.

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 2020.

APPENDIX B

DRAFT AUDITOR'S REPORT

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 these matters do 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 November 2020

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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.



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