

The Audit Findings Report for Tameside Metropolitan Borough Council

Year ended 31 March 2016

25 August 2016

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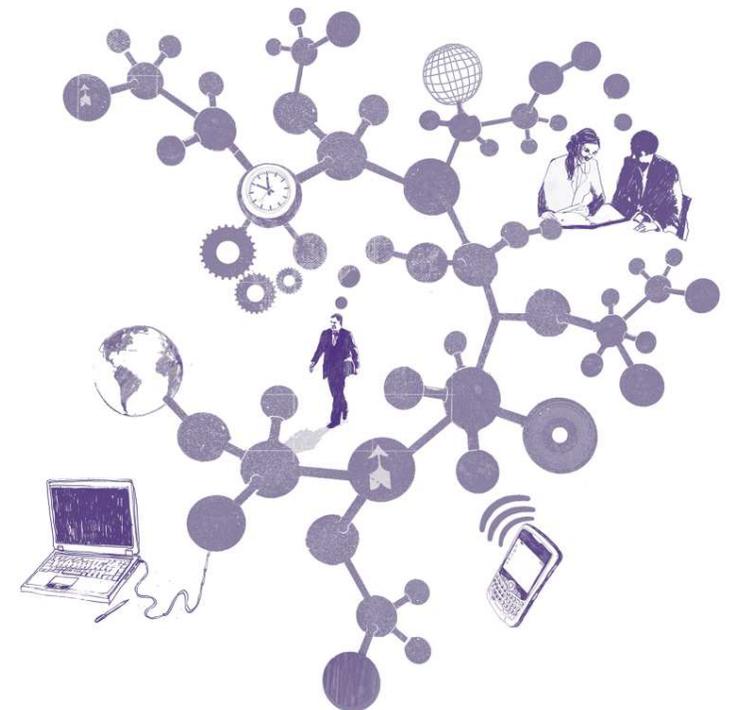
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25 August 2016

Dear Overview (Audit) Panel

Audit Findings for Tameside Metropolitan Borough Council for the year ended 31 March 2016

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Tameside Metropolitan Borough Council, the Overview (Audit) Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

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

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

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

Yours sincerely

Mike Thomas

Engagement Lead

Chartered Accountants

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A Audit opinion

Section 1: Executive summary

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We anticipate giving an unqualified audit opinion on the financial statements and an unqualified value for money conclusion

Purpose of this report

This report highlights the key issues affecting the results of Tameside Metropolitan Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

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

We are also required to consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

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

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

- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We have had no reason to enact any of these statutory powers during 2015/16.

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

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 24th March 2016.

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

- completion of a small number of administrative audit steps and final audit file quality review;
- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion; and
- carrying out the Whole of Government Accounts review (will be completed by 30 September 2016, deadline for submission 21 October 2016).

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable. This was achieved despite the disruption caused to the Council finance team due to staff turnover and reduced headcount.

Key audit and financial reporting issues

Financial statements opinion

We have not identified any adjustments affecting the Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2016 recorded net expenditure of £491 million.

Regular liaison meetings were held between the audit team and management prior to year end and weekly during the audit. This enabled early resolution of emerging issues.

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

- the draft accounts were of a good standard and contained no material errors;
- the audit matters related mainly to classification and disclosure matters in the notes to the financial statements. Our audit has not identified any adjustments affecting the Council's expenditure or level of useable reserves;
- management cooperated fully with our audit and agreed to amend for all the matters we raised. The audited accounts therefore contain no unadjusted mis-statements identified during our audit; and
- due to the good standard of the draft accounts and supporting working papers it has not been necessary to raise any actions or recommendations.

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

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

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the Annual Governance Statement or Narrative Report does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

We have no matters to raise in respect of the Annual Governance Statement or Narrative Report.

Whole of government accounts

We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. At the time of writing we have yet to conclude on the WGA consolidation pack.

We expect to conclude this work by the end of September 2016, in advance of the national timetable, and are satisfied that this work will not have a material effect on our opinion on the financial statements or value for money conclusion.

Controls

Roles and responsibilities

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

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

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

Further details are provided within section two of this report.

Value for Money

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

In arriving at our conclusion we have considered the Council's financial management, decision making framework and collaborative working with partners across the region. In particular we have been impressed with the strides that the Council and CCG have made to progress the Integrated Care Organisation (Care Together Programme), bringing together health and social care commissioning to the benefit of Tameside residents. Financial challenges are identified and lie ahead, however the commitment of the Council, CCG and Tameside Hospital NHS Foundation Trust to work together and deliver a better joined up service should be recognised as a significant achievement.

Based on our VFM review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

Other statutory powers and duties

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

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

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Audit Panel in November 2016.

In arriving at our opinion on the accounts it is necessary to test welfare benefits expenditure and for efficiency we have already carried out some Housing Benefit subsidy testing on Rent Allowances and Non HRA rebates.

Our testing of the Academy system parameter updates for Rent Allowances and Non HRA rebates and initial testing of a sample of individual claims has not identified any issues that we wish to bring to your attention.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Assistant Executive Director, Finance and senior members of the finance team.

Acknowledgement

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

Grant Thornton UK LLP
August 2016

Section 2: Audit findings

01. Executive summary

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Materiality

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

As we reported in our audit plan, we determined overall materiality to be £10.345 million (being 2% of 2014/15 gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have updated materiality based upon the 2015/16 draft financial statements, leading to a revised overall materiality of £9.83 million (being 2% of 2015/16 gross revenue expenditure).

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

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

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	All transactions made by the Council can affect the cash balance and it is therefore considered to be material by nature.	£1k
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1k
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1k
Disclosure of related party transactions in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1k
Disclosure of members' allowances in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1k

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgemental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Tameside Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Tameside Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Summary of work performed:</p> <ul style="list-style-type: none"> • review of entity controls; • testing of journal entries; • review of accounting estimates, judgements and decisions made by management; and • review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>Valuation of property, plant and equipment The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>Summary of work performed:</p> <ul style="list-style-type: none"> • review of management's processes and assumptions for the calculation of the estimate; • review of the competence, expertise and objectivity of management's expert valuer, Matthews and Goodman; • review of the instructions issued to valuation experts and the scope of their work; • review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding; • testing of revaluations made during the year to ensure they were input correctly into the Council's asset register; and • evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
4.	<p>Valuation of surplus assets and investment property and fair value disclosures under IFRS 13</p> <p>The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS13.</p> <p>The basis on which fair value is defined for investment property is also different to that used in previous years.</p> <p>This represents a significant change in the basis for estimation of these balances in the financial statements.</p> <p>There are also extensive disclosure requirements relating to financial assets and liabilities under IFRS 13 which the Council needs to comply with.</p>	<p>Summary of work performed:</p> <ul style="list-style-type: none"> • review of management's processes and assumptions for the calculation of the estimate; • review of the competence, expertise and objectivity of management expert valuer, Matthews and Goodman; • review of the instructions issued to valuation experts and the scope of their work; • testing of revaluations made during the year to ensure they were input correctly into the Council's asset register; and • review of the disclosures made by the Council in its financial statements to ensure they were in accordance with the requirements of the CIPFA Code of Practice and IFRS 13. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
5.	<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>Summary of work performed:</p> <ul style="list-style-type: none"> • documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated; • walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements; • review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation; • gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made; and • review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Payroll costs understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding; undertaken a predictive analytical review and trend analysis of salaries and wages costs and reconciled this to the costs reported in the draft accounts; substantively tested a sample of employee costs to supporting contracts to ensure valid spend and classification to cost of services; agreed senior managers and members allowances to underlying records; reconciled the year end payroll system output to the general ledger; and agreed the year end creditor for tax and NI and pension to underlying records. 	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding substantively tested a sample of expenditure items, including goods received not invoiced, to source documents Review and testing of year end creditors and accruals including correct year (cut off) testing reviewed post year end payments to identify any unrecorded liabilities reconciled the year end accounts payable system to the general ledger. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Management agreed to amend a disclosure error regarding the GM Debt Administration Fund as set out on page 19.</p>

Accounting policies, estimates and judgements and other matters

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

Accounting area	Summary of policy	Comments	Assessment
Housing Subsidy and Welfare expenditure	<p>The Council includes Housing Subsidy income based upon the unaudited submission to central government.</p> <p>As part of our work on expenditure we have reviewed the following on welfare expenditure:</p> <ul style="list-style-type: none"> reconciliation of the welfare benefits expenditure system to the general ledger and financial statements; reconciliation of welfare benefit income to subsidy claim; substantively tested a sample of 11 welfare benefit payments (rent allowance and non HRA rent rebates); substantive testing to ensure the welfare benefits system parameters are updated correctly for 2015/16; and analytical review of benefits paid. <p>These procedures also form part of the Housing Benefit Subsidy Claim audit which has a certification deadline of 30 November 2016.</p>	<p>Our audit has not identified any significant issues in relation to welfare benefit expenditure which would impact on the audit opinion. We will report the findings of our Housing Benefit Subsidy audit in November 2016.</p>	 Green
Revenue recognition	<ul style="list-style-type: none"> NDR and Council tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of revenue can be measured reliably government grants and third party confirmations and donations are recognised as due when there is reasonable assurance that the Council will comply with conditions attached to the payment and the grants or contributions will be received Revenue relating to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received and the stage of completion of the service can be measured 	<p>Revenue recognition policies are in line with the requirements of the Code of Practice on Local Authority Accounting 2015-16 and accounting standards.</p> <p>We have undertaken substantive testing of grants and other revenues and are satisfied that the Council has recognised income in accordance with its accounting policies.</p>	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements and other matters continued

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<p>Judgements and estimates have been considered in a number of areas including:</p> <ul style="list-style-type: none"> • asset revaluations; • useful economic lives in relation to depreciation; • pension fund valuations and settlements; • investments in Manchester Airport Group; • financial instruments fair values; and • provisions. 	<ul style="list-style-type: none"> • the Council has disclosed its significant judgements and estimates appropriately; • the Council has appropriately relied on the work of experts for asset revaluations, borrowings, pension fund valuations and the value of its investments in Manchester Airport Group; • note 12 to the accounts sets out the Council's rolling programme of asset revaluation which takes place over a five year period with interim desk top revaluations by the external valuer as required. We are satisfied that the basis chosen will not result in a material difference between carrying value and fair value at the end of the reporting period; • we have discussed alternative methods of valuing the Council's provision for equal pay claims and former landfill restitution costs but are content with management's chosen methodology; and • management agreed to amend the NNDR provision within the collection fund to correct a disclosure arising from an incorrect linkage within the working papers 	 Green
Other accounting policies	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice and accounting standards.</p>	<p>The Council's accounting policies are appropriate and consistent with previous years.</p>	 Green
Related Parties Review	<p>As part of our interim audit testing we reviewed the Companies House website for information on members of the Executive Cabinet and senior officers (Assistant Executive Directors and above) to identify any related party interests.</p>	<p>At our final accounts audit we compared the Companies House information to the Members and Senior Officers register of interests and disclosures in the financial statements. There are no matters arising that we wish to draw to your attention.</p>	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements and other matters continued

Accounting area	Summary of policy	Comments
<p>Future Accounting Development:</p> <p>Transport Infrastructure Accounting – Highways Network Asset</p>	<p>Looking ahead to 2016/17, infrastructure assets such as roads, bridges, street lighting and street furniture will need to be recognised separately in the Council's accounts as one highways network asset class within property, plant and equipment disclosure. The 1 April 2016 opening balance will need amending also.</p> <p>The changes will make for much additional work for the finance team. It will impact the depreciation rate of highways arising from work required to componentise the roads and brings changes in the way that accumulated depreciation is accounted for upon revaluation. Also the Council will need to identify all land beneath roads for recognition and valuation. The valuation methodology for roads (using national or local rates) is complex.</p> <p>This is likely to have a significant effect on the Council's balance sheet as the roads network represents by far the biggest asset the public sector holds.</p> <p>The 2016/17 Code of Practice has been adapted to reflect this change in highway network accounting and in order to support this significant development CIPFA has produced LAAP Bulletin 100 "Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17".</p> <p>CIPFA is also to issue a new Highway Network Asset Code in August 2016 which will replace the existing Transport Infrastructure Code.</p>	<p>We are aware from discussions during the year that the Council has reviewed the LAAP Bulletin and noted the consequences and requirements to prepare for this major change in local authority accounting.</p> <p>Processes are already in place at the Council to separately identify highway network assets.</p> <p>As further guidance is issued, including the new Highway Network Asset Code, we will work closely with the senior finance team during 2016/17 on implementing the change and regularly keep track on progress at our regular liaison meetings with the finance team.</p>

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Panel. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	From the work we carried out, we have not identified any related party transactions which have not been disclosed
3.	Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	A standard letter of representation has been requested from the Council.
5.	Confirmation requests from third parties	We requested and received direct confirmations for bank balances from the Council's bankers. For the Council's borrowings we received confirmations direct from PWLB and from Capita in respect of the Council's commercial LOBO borrowings.
6.	Disclosures	Our review found no material omissions in the financial statements.
7.	Matters on which we report by exception	We have not identified any issues we would be required to report by exception in the following areas: <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £350k we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. The Council secured an extension of the submission deadline beyond 12 August meaning that our review of the consolidation pack is not yet complete. The deadline set by the NAO for the review is 21 October, however we anticipate completing our review by 30 September. We are satisfied that our review will not have any material impact on our audit opinion or VFM conclusion.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 13 above and found controls to be operating effectively.

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

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

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

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been adjusted for the final set of financial statements. All suggested changes were amended by management.

	Adjustment type	Adjustment £'000	Account balance	Impact on the financial statements
1	Disclosure	n/a	Various	There were a small number of disclosure and typographical changes such as correcting rounding errors and adding additional narrative to disclosure notes.
2	Disclosure	474	Note 16 Capital Expenditure and Capital Financing	The closing Capital Finance Requirement (CFR) was overstated by £474k.
3	Misclassification	7,355	Note 19 Financial Instruments – investments and borrowings (and Balance Sheet)	GMMDAF borrowings double counted within both investments and borrowings. This is also shown on the face of the balance sheet. The amendment is a misclassification error only with no impact on General Fund.
4	Disclosure	n/a	Note 36 Officers Remuneration	One disclosure movement between salary bands from the £50k - £55k category.
5	Disclosure	577	Collection Fund: Income and Expenditure Account	Correction of movement in NDR provision for appeals and non collection on the face of the Collection Fund – reduced from £1,051k to £474k. This matter arose due to a linkage failure within the consolidated working papers.

Section 3: Value for Money

01. Executive summary

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Background

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

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

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

Our Audit Plan dated 24 March 2016 was presented to the Audit Panel on 31 May 2016. We updated the Audit Panel with the outcome of our initial risk assessment and our proposed work to meet our duties in respect of the VFM conclusion. We reported that, as a result of our initial risk assessment, we had not identified any significant risks requiring further work.

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

Significant qualitative aspects

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

We have focused our work on the identification of significant risks in the Council's arrangements. No significant risks were identified. Our main considerations in arriving at our conclusion were:

- the Council remained within its 2015/16 budget overall. Net expenditure was less than budget by £6.663m at the end of March 2016. This positive result was mainly due to prudent management of financial risk pressures and savings as a result of changes to calculation of debt (£3.7m) and an increased airport dividend (£2.25m);
- the Council's Pension Fund deficit has reduced from £348.3m to £273.9m in 2015/16. This is largely due to changes in market conditions and a reduction in liabilities;
- the Council approved its Medium Term Financial Strategy (MTFS) in February 2016 covering the period up to 2019/20. Funding reductions and demand pressures has resulted in a savings requirements of £24m in 2015/16, £14.1m in 2016/17 and an additional estimated £51m in the next three years from 2017/18 to 2019/20. The Council is fully aware of the pressures faced and the scale of the measures needed to address the financial gaps;
- the Council, and its partners are progressing well with the Integrated Care Organisation (ICO) to develop a sustainable future for integrated health and social care, meeting the needs of local residents across the borough. This is consistent with the aims set out in the Locality Plan and brings together the Council and partners at Tameside & Glossop Clinical Commissioning Group (CCG) and Tameside NHS Foundation Trust. The Single Commissioning Function of the Council and the CCG became operational on 1 April 2016 and it is proposed that the ICO will become operational from 1 April 2017;
- governance and financial reporting arrangements for the ICO are in place. A memorandum of understanding and Section 75 Pooled Budget hosted by the Council is agreed. For services that can not be statutorily provided under a pooled budget such as children's social care, these have been encompassed in other collaborative agreements, to ensure that barriers do not prevent the success of the ICO;
- not surprisingly the financial commitment to the ICO is significant and includes the entire CCG commissioning budget together with Adult Services, Children's Services and Public Health within the Council. A total of £435m is initially committed for 2016/17 between the CCG and the Council under the premise of an Integrated Commissioning Fund (ICF). A Single "Care Together" Commissioning Board has been established from 1 April 2016 to oversee the Integrated Commissioning Fund. The financial gap to deliver the ambitions of such large scale change is however significant, underpinned by the commitment to achieve a balanced position by 2020/21 or earlier. During 2016/17 the CCG and Council as commissioners forecast a £21.5m gap, added to which will include the financial gap for Tameside NHS Foundation Trust. For 2016/17 these shortfalls remain the responsibility of individual bodies, with arrangements from 1st April 2017 to be confirmed during 2016/17;
- notwithstanding the financial challenges to build a successful integrated care system across Tameside, the Council is a front runner nationally in the integrated care agenda. Its successes are already being reflected in improved A&E waiting times at Tameside FT, better understanding of contracts and avoidance of duplication of services. The Single Commissioning Function could not have happened without close cooperation between the Council and CCG, evidenced by a single leadership team headed by the Council Chief Executive and a commitment from both organisations to pool £6.4m of non recurrent investment funding to pump prime the ICO;

- looking further ahead, the ICO has made a bid for £23.2m transformation funding from GM Health and Social Care Partnership which, if successful will drive further improvements for local residents such as the provision of an enhanced home care offer and integrated neighbourhood hubs providing services from a range of partner agencies together with a system wide approach to self care;
- as well as the ICO, the Council is mid way through its major Vision Tameside capital investment across the borough. Good progress has been made with implementing phases 1 & 2 of the project which includes the construction of Clarendon Sixth Form College, Skills Centre and new Council administration block in the centre of Ashton Under Lyne. This is contributing to an ambitious and exciting regeneration of the borough. Overall costs are being kept within the £48.7m net budget, with project management overseen by the Vision Tameside Project Board; and
- lastly, our work has not identified any external reviews such as OFSTED that would significantly impact on our VFM conclusion

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that: The Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix A.

Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Other statutory powers and duties

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

	Issue	Commentary
1.	Public interest report	We have not identified any matters that would require a public interest report to be issued.
2.	Written recommendations	We have not made any written recommendations that the Council is required to respond to publicly.
3.	Application to the court for a declaration that an item of account is contrary to law	We have not had recourse to use this duty.
4.	Issue of an advisory notice	We have not had recourse to use this duty.
5.	Application for judicial review	We have not had recourse to use this duty.

Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Budget £	Actual £
Council audit	105,017	105,017
Grant certification	38,773	38,773
Total audit fees (excluding VAT)	143,790	143,790

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited.

Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Audit related services:	
• Teachers' Pension Return	4,200
• George Frederick Byrom Trust – charity independent examination	1,000
Total audit fees (excluding VAT)	5,200

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Communication to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

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

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

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

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

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

Appendix

Appendix A: Proposed Unmodified Audit Opinion

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

We have audited the financial statements of Tameside Metropolitan Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the related notes and the Collection Fund and related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Tameside Metropolitan Borough Council, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of the Assistant Executive Director, Finance (Section 151 Officer) Responsibilities, the Assistant Executive Director, Finance (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements: present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

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

Matters on which we are required to report by exception

We are required to report to you if: in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or we issue a report in the public interest under section 24 of the Act; or we make a written recommendation to the Authority under section 24 of the Act; or we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

The Authority 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.

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

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources

to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects Tameside Metropolitan Borough Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

Mike Thomas

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

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Date to be confirmed (2016)



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