

Audit Completion Report

Tameside Metropolitan Borough Council
– Year ended 31 March 2021

29 October 2021



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29 October 2021

Dear Panel Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. 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 27 July 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

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

Yours faithfully

Karen Murray

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01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 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 on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Net defined benefit liability valuation; and
- Valuation of property, plant and equipment.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £0.893m. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

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



Value for Money

We have not yet completed our value for money arrangements work and will report our findings in our Auditor's Annual Report later in the year. Further detail on our value for money arrangements work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have not received any questions or objections in respect of the 2020/21 statement of accounts.



1. Executive summary

COVID-19 impacts

The impact of the COVID-19 pandemic on the audit was significant for a second audit year. Although we have had the full co-operation of the finance team and Council management through the audit, the remote working of our audit team and the Council's staff has inevitably meant that the audit work took longer to complete and finalise than would ordinarily be the case.





02


Section 02:


Status of the audit


2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Property, plant and equipment (PPE) and investment property valuations		Our work on PPE and investment property valuations is ongoing. We are finalising responses to our queries with the Council's valuers.
Financial statements, Annual Governance Statement and letter of representation		We will complete our final review of the financial statements upon receipt of the signed version of the accounts and letter of representation.

 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.

03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in July 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £11.973m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements is £11.604m using the same benchmark.

Use of experts

We set out in our Audit Strategy Memorandum our planned use of experts to assist in our audit procedures. There were no changes to our planned approach.

Item of account	Management's expert	Our expert
Defined benefit pension liability valuation and disclosures (Council and Group)	Hymans Robertson – Actuary for the Greater Manchester Pension Fund.	PwC – Consulting actuary appointed by the National Audit Office.
Property valuations: land & buildings owned by the Council and investment properties.	External – Align Property Services and Sanderson Weatherall	We engaged our own valuer to review valuation of Tameside One and the Council's share of the land at Manchester Airport
Financial instrument disclosures.	Link Asset Services	We reviewed Link's methodology to gain assurance that the fair value disclosures of the Council's financial assets and liabilities are materially correct. We also obtain evidence of Link's professional qualifications through the National Audit Office.
Long Term Investments – Manchester Airport	BDO	Mazars' Valuations Team



04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other 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 17 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; and
- any significant difficulties we experienced during the audit.

Significant risks

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: <ul style="list-style-type: none">• Accounting estimates impacting 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 Our work on management override of controls is complete. There are no matters to bring to the Panel's attention.



4. Significant findings

Net defined benefit liability valuation	Description of the risk <p>The Council's accounts contain material liabilities relating to the local government pension scheme administered by the Greater Manchester Pension Fund (GMPF). The Council relies upon an actuary, Hymans Robertson to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>
	How we addressed this risk <p>Our procedures included:</p> <ul style="list-style-type: none">• corresponding with the GMPF auditor to gain assurance on their audit of the fund;• assessing the skill, competence and experience of the Fund's actuary, Hymans Robertson including a review of the actuary by our actuarial expert PWC;• challenging the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation;• reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by GMPF Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;• carrying out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation; and• considering the impact of the Covid-19 pandemic on the valuation of the pension fund net liability, in particular considering the impact of any material valuation uncertainties highlighted in respect of property investment valuations at the pension fund level.
	Audit conclusion <p>Our work on the net defined benefit liability valuation is substantially complete, subject to resolving our final query in respect of the Council's share of the Pension Fund's assets. To date there are no matters to bring to the Panel's attention.</p>

4. Significant findings

Valuation of property, plant and equipment and investment properties	<div data-bbox="471 325 2344 496">Description of the risk<p>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment (PPE) including investment properties, with the majority of property assets required to be carried at valuation. Due to the high degree of estimation uncertainty associated with these valuations especially within land and buildings, we have determined there is a significant risk in this area.</p></div> <div data-bbox="471 496 2344 882">How we addressed this risk<p>Our audit procedures included:</p><ul style="list-style-type: none">• assessing the skill, competence and experience of the Council's valuers;• reviewing the instructions issued to the valuers by management to ensure they comply with the Code requirements;• considering whether the overall revaluation methodology used by the Council's valuers is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;• understanding the process followed by management to seek assurance that any land and buildings assets not revalued at 31 March 2021 are not materially misstated;• assessing the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;• testing the valuation on a sample of properties;• testing a sample of items of capital expenditure in 2020/21 to confirm that the additions are appropriately valued in the financial statements;• considering the impact of the Covid-19 pandemic on asset valuations, in particular considering the impact of any material valuation uncertainties highlighted.</div> <div data-bbox="471 882 2344 1098">Audit conclusion<p>As set out in section 2 our work remains in progress. To date we have identified one adjustment to the Council's property valuations, as the valuer updated their valuation of Tameside One after the draft account were produced. The effect of this is to increase the Council's property, plant and equipment balance by £2.1m.</p><p>We have also identified one control recommendation in relation to a small number of assets not revalued within the required five year cycle. Further detail is included within section 5 of this report.</p></div>
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4. Significant findings

Key areas of management judgement and enhanced risks

Valuation of shareholding in Manchester Airport	Description of the management judgement
	The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2021. The valuation is determined according to a methodology and applying assumptions.
	How our audit addressed this area of management judgement
	Our approach to auditing the investment in Manchester Airport Holdings Limited includes 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.
Audit conclusion	
Our work is complete and based on the results of our testing there are no matters to bring to the Panel's attention.	



4. Significant findings

Schools accounting	<div><div>Description of the risk</div><p>A number of schools within the Borough transferred to Academy status in 2020/21. As a result of this the associated land and buildings must be derecognised from the Council's accounts.</p></div> <div><div>How our audit addressed this risk</div><p>We reviewed the Department for Education Academy transfer listing to ensure all transferred schools had been identified for derecognition. For each school we reviewed the capital accounting entries, and confirmed the associated land and buildings were correctly derecognised in line with the requirements of the CIPFA Code.</p></div> <div><div>Audit conclusion</div><p>Our work is complete and based on the results of our testing there are no matters to bring to the Panel's attention.</p></div>
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4. Significant findings

Qualitative aspects of the Council’s accounting practices

Draft accounts were received from the Council on 19 July 2021. Our initial review of the Statement of Accounts identified a number of technical and disclosure changes were needed to ensure compliance with the 2020/21 Code of Practice. The Finance team worked to ensure all relevant adjustments were made to the accounts.

We have reviewed the Council’s accounting policies and disclosures in the revised Statement of Accounts and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council’s circumstances.

Significant matters discussed with management

During the audit we maintained a regular dialogue with Council officers. Among the matters discussed through these conversations were:

Accounting treatment for the Council’s loan made to Manchester Airport in the year

We discussed the Council’s treatment of its loan as capital expenditure in the context of the Capital Financing regulations and the specific requirements to be met in order to treat loans to other organisations as capital expenditure. The Council provided a detailed explanation and supporting evidence to confirm that the loan was provided for capital purposes and the expenditure incurred by the Airport would have been capital had the Council incurred it itself.

Impairments of financial assets

We discussed the Council’s approach in considering impairments of its financial assets and in particular those impacted by the Covid-19 pandemic. We obtained explanations and evidence to support the Council’s approach to impairing its assets including those assets, which it has not impaired.

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.

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 2020/21 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 did not receive any questions or objections to the 2020/21 financial statements.



05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was 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 in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

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

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

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	1
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	2

5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Description of deficiency

Our work on IT general controls identified that the Council does not have formal disaster recovery provisions in place. The Council is now in the process of commissioning a new Disaster Recovery facility located at Tameside Hospital and the Corporate IT Business Continuity and Disaster Recovery plan is currently going through the internal governance process.

Potential effects

Major incidents or disasters may cause outage of one or more business critical systems, causing data loss, thereby affecting the availability and integrity of information.

Recommendation

In order to avoid data loss due to the outage of one or more business critical systems, we recommend ensuring the disaster recovery plan clearly defines:

- Roles and responsibilities;
- Assets classification;
- Recovery point objective (RPO) for all critical systems;
- Recovery time objective (RTO) for all critical systems;

The disaster recovery plan should be regularly tested, the testing should include business users and should be documented for audit and monitoring purposes.

Management response

The Council has not previously had a formally documented disaster recovery plan, however all critical systems are subject to robust back up procedures. Service business continuity plans are place for all key services, identifying arrangements for operation in the event of IT systems failure and prioritisation for recovery from back-ups. A corporate IT Business Continuity and Disaster Recovery Plan is now in draft.

The Council approved its first Cyber Security Strategy and associated action plan in September 2020 and it is currently in the process of commissioning a new state-of-the-art TIER 3 Data Centre in the Ashton Old Baths site. When these commissioning works are complete in late autumn all the Councils in-house hosted systems will be transferred to the new facility from their temporary home in Tameside Hospitals Data Centre. Once all the systems have been moved the hospital site will be re-purposed as the Councils first Disaster Recover site with capacity and infrastructure to quickly recover and run all of the Councils in-house hosted systems. This work is targeted for completion in quarter 4 2021/22.



5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Management response continued.

The Councils corporate IT Business Continuity and Disaster Recovery Plan is also currently going through internal governance and amongst other things addresses roles and responsibilities, prioritisation of critical and non-critical system recovery and recovery timescales. Systems are categorised in 3 tiers.

- TIER 1 Critical Priority Recovery: System recovery time 1-2 day: System recovery checks annually
- TIER 2 High Priority Recovery: System recovery time 3-5 day: System recovery check every 2 years
- TIER 3 Medium Priority Recovery: System recovery time 1+ week

To ensure this Response Plan is fit-for-purpose the Council has committed to undertake an annual cyber training exercise, to help aid our organisation in testing and practising our response plans to various scenarios including cyber-attack, using the NCSC's 'Exercise In a Box' toolkit.

Other deficiencies in internal control – Level 2

Description of deficiency

Our work on the Council's debtor balances identified an unreconciled difference of £0.632m between the general ledger and revenues and benefits system in respect of business rates debtors.

Potential effects

Discrepancies between the two systems can lead to a misstatement of the Council's debtor balance within the Statement of Accounts.

Recommendation

The discrepancy between the systems should be fully investigated and cleared.

Management response

There is an historical imbalance between the general ledger and Capita system for Non Domestic Rates due to timing differences and coding within the general ledger system. All non-domestic rates receipts are correctly recognised in the Capita Non-Domestic Rates system and there is no misstatement of income due to the Council or individual non-domestic rate account balances. This historical imbalance will be fully investigated and corrected in the general ledger during the 2021/22 financial year.



5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

Our work on Property, Plant and Equipment identified a small number of assets (total value £0.270m) which have not been revalued within the five year rolling cycle of valuations. Whilst the value is not significant, this is not in compliance with the requirements of the CIPFA Code.

Potential effects

Failing to revalue assets on a sufficiently regular basis can lead to a misstatement of the Council's Property, Plant and Equipment balance.

Recommendation

The assets should be included in the 2021/22 revaluation programme.

Management response

There are three small land assets, with a net book value on the balance sheet of £13k, which have not been subject to revaluation within the last five years. These three assets are all small insignificant pieces of land which are not expected to have any significant value. The assets will be subject to revaluation before 31st March 2022.

Description of deficiency

Our review of senior officer declarations of interest identified one instance where an amendment was made to the officer's declarations based on a telephone conversation, but no written audit trail was retained to support the amendment. We were able to corroborate the change to third party evidence available from Companies House.

Potential effects

Without a full audit trail in place it is possible for errors to occur when updating records of declarations.

Recommendation

All changes to declarations of interest should be supported by a full audit trail.

Management response

We will ensure that in future all changes to officer declarations of interest are formally documented and written confirmation obtained from the relevant officer.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £0.348m. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

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

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Income	893			
	Cr: Debtors				-893
The Council has a total short-term debtor balance of £57.9m. From this balance, we specifically tested £28.2m of debtor balances, and sampled the remaining balance of £29.7m. Our sample testing of three debtor balances (total sample value £0.047m) identified one credit note for £1k which had been raised in error. Applying our audit methodology we extrapolated this error over the untested population, and if the error was representative of the whole population, the Short Term Debtors balance and Cost of Services Income would both be overstated by £0.893m. We are satisfied this is not material. As the actual error is only £1k the Council's finance team have decided not to amend the statement of accounts.					
Total unadjusted misstatements		893			-893

6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Property, Plant and Equipment			538	
	Cr: Assets Held for Sale				-538
	To reclassify assets held for sale to surplus assets as they do not currently meet the requirements to be classified as held for sale.				
2	Dr: General Fund Earmarked Reserves			1,686	
	Cr: Dedicated Schools Grant Deficit Adjustment Account				-1,686
	To create a new unusable reserve to hold the Council's Dedicated Schools Grant deficit in line with updated statutory requirements				
3	Dr: Property, Plant and Equipment			2,100	
	Cr: Cost of Services Expenditure		-2,100		
	To account for the revised valuation of Tameside One, reducing previous valuation losses charged to the Comprehensive Income and Expenditure Statement.				
4	Dr: Other Comprehensive Income	1,118			
	Cr: Long Term Investments				-1,118
	To account for the revised valuations of the Council's investments in Inspiredspaces Tameside				

6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
5	Dr: Other Operating Income and Expenditure	596			
	Cr: Corporate Costs		-596		-
	To reclassify an element of the Waste Levy incorrectly shown within Corporate Costs				
6	Dr: Short Term Provisions			14,945	
	Cr: Long Term Provisions				-14,945
	To reclassify the Business Rates Appeals provision as long term, reflecting the likely timing of settling appeals cases.				
7	Dr: Receipts in Advance			1,588	
	Cr: Short Term Creditors				1,588
	To reclassify receipts in advance within the short term creditors balance.				
8	Dr: Long Term Liabilities			1,147	
	Cr: Short Term Liabilities				-1,147
	To reclassify amounts owed to Greater Manchester Metropolitan Debt Administration Funds as short term, as the final payment is due within one year.				

6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
9	Dr: Net Cost of Service – Corporate Costs Income	1,157			
	Cr: Taxation and Non-Specific Grant Income		-1,157		-
	To reclassify Council Tax Surplus incorrectly shown within Corporate Costs				
10	Dr: Net Cost of Service – Schools Expenditure	713			
	Dr: Net Cost of Service – Adults Income	2,321			
	Dr: Financing and Investment Income and Expenditure	1,014			
	Cr: Net Cost of Service – Schools Income		-713		
	Cr: Net Cost of Service – Adults Expenditure		-2,321		
	Cr: Net Cost of Service – Corporate Costs Income		-66		
	Cr: Net Cost of Service – Corporate Costs Expenditure		-948		
	To correct misclassifications identified through our work on the Expenditure and Funding Analysis.				
Total adjusted misstatements			-982	982	

Executive summary

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6. Summary of misstatements

Disclosure amendments

During our audit we identified a number of adjustments to the disclosures in the accounts. These have been adjusted by management and include:

- **Cash Flow Statement** – The cash flow statement has been amended following changes to the Comprehensive Income and Expenditure Statement identified on the previous page.
- **Note 1b. Expenditure and Income Analysed by Nature** – Our audit work identified a number of inconsistencies between this note and elsewhere in the accounts. This led to the Note being updated as follows:
 - Other service expenses reduced by £3.175m
 - Loss on disposal of non-current assets increased by £8.684m
 - Interest payments reduced by £8.066m
 - Customer and client receipts reduced by £9.933m
 - Government grant income increased by £10.134m
 - Interest income reduced by £0.201m
 - Other income reduced by £2.557m
- **Note 4. Taxation and Non-Specific Grant Income** – £0.739m reclassified from S31 Business Rates Grants to Retained Business Rates to correct the classification of the income received.
- **Note 4. Taxation and Non-Specific Grant Income** – The analysis of capital grants has been moved from Note 5 to Note 4.
- **Note 5. Grants** - £0.159m reclassified from Covid Grants to Other Grants to correct the classification of income received.
- **Note 10. Unusable Reserves** – The Holding in Manchester Airport Reserve has been combined with the Capital Adjustment Account.
- **Note 12a. Property, Plant and Equipment** – The other movements and assets reclassified in year lines have been consolidated.
- **Note 12a. Property, Plant and Equipment** – The nature of assets owned section has been updated to correct the analysis for vehicles, plant and equipment. The full amount is now shown as owned by the Council.
- **Note 16. Capital Expenditure and Capital Financing** – The note has been updated to include intangible asset additions of £1.027m.
- **Note 19. Financial Instruments** – The fair value of money market loans disclosure has been revised to £132.484m following receipt of information from the Council’s treasury advisors.
- **Note 27. Leases Operating Leases** – The Council as Lessor table has been updated to include future minimum lease payments receivable arising from land leases. This increases the total of the table by £0.662m.



6. Summary of misstatements

Disclosure amendments continued

- **Note 29. Pension Schemes Accounted for as Defined Contribution Schemes** – The disclosure for Teachers Pension Scheme has been updated to include forecast contributions of £9.239m for 2021/22.
- **Note 30. Pensions** – The employer contributions and benefits paid figures in the reconciliation of the movements in fair value of scheme assets table have now been separated as they were previously netted off.
- **Note 30. Pensions** – The total remeasurements recognised in other comprehensive income sub-total has reduced to £116.549m to correct a casting error.
- **Note 39. External Audit Costs** – Amounts payable in relation to grant certification have been removed as they are not payable to Mazars LLP.
- **Note 44. Assumptions made about the future and other major sources of estimation uncertainty** – The note now includes a sensitivity analysis for each assumption and source of uncertainty.



07

Section 07: **Value for Money**

7. Value for Money

Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in [insert date].

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report, due to be issued within three months of issuing our audit opinion.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

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 2021

This representation letter is provided in connection with your audit of the financial statements of Tameside Metropolitan Borough Council ('the Council') for the year ended 31 March 2021 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 2020/21 (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.



Appendix A: Draft management representation letter

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.



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.

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.



Appendix A: Draft management representation letter

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

I confirm that the Council has 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.

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.



Appendix A: Draft management representation letter

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 audit report

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Tameside Metropolitan Borough Council (“the Council) for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Account 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2021 and of its 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 2020/21.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report.



Appendix B: Draft audit report

Other information

The Director of Finance is responsible for the other information. The other information comprises the the Annual Governance Statement 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.

We have nothing to report in this regard.

Responsibilities of the Director of Finance for the financial statements

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.



Appendix B: Draft audit report

We evaluated the Director of Finance’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Panel the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Panel on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Panel. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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.



Appendix B: Draft audit report

Report on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the [Council] has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council’s arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council’s arrangements in our commentary on those arrangements within the Auditor’s Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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.



Appendix B: Draft audit report

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;
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Karen Murray – Key Audit Partner

For and on behalf of Mazars LLP
One St Peter's Square
Manchester
M2 3DE



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.



Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none">a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; andb. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Director of Finance that Tameside Metropolitan Borough Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit Panel, confirming that</p> <ul style="list-style-type: none">a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:<ul style="list-style-type: none">i. Management;ii. Employees who have significant roles in internal control; oriii. Others where the fraud could have a material effect on the financial statements; andd. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Mazars

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Partner

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.