

# Annual Audit Letter

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Tameside Metropolitan Borough Council

Audit 2008/09

November 2009



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

**This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

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## Audit Opinion

- 1 I issued an unqualified opinion on the financial statements on 29 September 2009.
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## Financial Statements

- 2 The Council prepared financial statements that met the required timetable and overall professional accounting requirements for local government. My audit identified a small number of non material mis-statements in the accounts presented for audit. Action has been taken to address the matters raised as noted in my report to those charged with governance.
  - 3 The Council also prepared the financial statements for Greater Manchester Pension Fund and these were found to meet professional requirements. My audit identified a small number of areas where some improvements to procedures could be made.
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## Value for money

- 4 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I issued an unqualified value for money conclusion on 29 September 2009 stating that the Council had adequate arrangements in place to secure economy, efficiency and effectiveness in the use of resources.
  - 5 The Use of Resources scored assessment had been undertaken to inform this conclusion. The Council is operating at a level that significantly exceeds minimum requirements and is performing excellently for most aspects of its arrangements.
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### Comprehensive Area Assessment and Organisational Assessment

- 6 The Audit Commission introduced the new Comprehensive Area Assessment (CAA) during 2009. This aims to review the performance of local partners in delivering better outcomes for local people. The assessment is designed to focus attention on local areas, identifying successful outcomes as well as aspects to improve further. The work in this area is being led by the local Comprehensive Area Assessment Lead (CAAL) working with other review agencies. The CAAL has shared the outcomes of the review with officers, and these are reported formally in December 2009. The information is to be accessible by the public via the Audit Commission's 'One Place' website.
- 7 Alongside the CAA, the CAAL will issue an Organisational Assessment for the Council where the judgements on your use of resources and managing performance are combined.

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### Recommendations

- 8 I have not made any further recommendations in this report over and above those previously reported to those charged with governance. Those recommendations are summarised at Appendix 1, and management has agreed action with respect to all of them.

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### Audit fees

- 9 The audit work has been delivered to meet the planned and agreed fees for 2008/09 as shown in Appendix 2.

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### Independence

- 10 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

# Financial statements and annual governance statement

The financial statements and annual governance statement are an important means by which Tameside Metropolitan Borough Council accounts for its stewardship of public funds.

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## Significant issues arising from the audit

- 11 I issued an unqualified opinion on the Council's financial statements for 2008/09 on 29 September 2009.
- 12 As reported to those charged with governance on 28 September 2009, no material mis-statements were identified in the financial statements.
- 13 My audit identified a small number of non material mis-statements in the accounts presented for audit. Action has already been taken to address the matters raised. The amendments were made to:
  - reduce the fixed asset balance by £3.9 million to reflect an asset disposal which had not been removed from the records;
  - increase provisions by £1.4 million, to correct for an amount which had been mistakenly recorded; and
  - correct some financial disclosures in the statements to better align them with the requirements of the CIPFA Statement of Recommended Practice.

The changes to the financial statements did not affect the overall level of the Council's available reserves and balances.

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## Material weaknesses in internal control

- 14 I did not identify any significant weaknesses in your internal control arrangements.
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## Accounting Practice and financial reporting

- 15 I considered the qualitative aspects of your financial reporting and have no further issues to raise.

# Greater Manchester Pension Fund

- 16** Tameside Metropolitan Borough Council is the administering authority for the Greater Manchester Pension Fund.
- 17** I issued two unqualified opinions on the financial statements of the Pension Fund on 29 September 2009. The two reports covered:
- the Pension Fund's financial statements as presented in the Greater Manchester Pension Fund Annual Report; and
  - the Pension Fund's financial statements included within the administering authority's accounts (ie those of Tameside Metropolitan Borough Council).
- 18** As a result of new regulations governing the production and audit of pension fund annual reports, this is the first year in which the Pension Fund's audit opinion has been issued in this way.
- 19** The audit found no material mis-statements within the Pension Fund financial statements, and we did not identify any significant weaknesses in the internal control arrangements
- 20** My audit did identify a small number of areas where the qualitative aspects of financial reporting could be improved. Management has already taken action to address these issues.

# Other current issues

## National economic situation

- 21** The national economic position is having a very significant impact on public finances and the bodies that manage them. There are wide impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams and work with partners. There are further challenges for policy priorities where patterns of demand for services are changing. This impacts on the audit and as part of my responsibility, I have considered the wider environment, specific issues and risks.
- 22** The Council has been proactively receiving reports designed to anticipate and monitor financial information, service performance and future development issues. Local employment and business issues feature prominently in the Council's 'Tameside Works First' programme. The Council has ensured that full consideration of the potential impact of the national economic picture is factored into its financial and service planning arrangements.

## Treasury Management

- 23** As part of my 2008/09 audit, the Council's Treasury Management arrangements were considered. The Council had no investments with Icelandic banks in 2008/09. No significant treasury management issues were identified during my brief review and a range of good practice arrangements are in place. The Council regularly reviews, updates and reports its Treasury Management framework, most recently in November 2009.

## International Financial Reporting Standards (IFRS)

- 24** In March 2008 the Treasury announced that the annual financial statements of government departments and other public sector bodies would be prepared using International Financial Reporting Standards (IFRS) from 2009/10 onwards. For local government bodies the first full year of application is the 2010/11 financial statements but the starting period for this (the transition date) is 1 April 2009. Local government bodies will be required to produce their 2009/10 Whole of Government Accounts return on an IFRS basis.
- 25** As part of the 2008/09 audit we have discussed with officers their preparations for IFRS and the work underway. They have recently presented a report to the Audit Panel outlining the approach and the significant work to be completed across the Council's activities. Looking ahead the Audit Commission is to conduct regular surveys of the Council's progress in preparing for the implementation of the IFRS. The Council has made a sound start in its preparations.

# Value for money and use of resources

I considered how well Tameside Metropolitan Borough Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

## Use of resources judgements

- 26** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements (which are deemed to be at level 2).
- 27** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 28** The Council's use of resources theme scores are shown in Table 1 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 3.

**Table 1** Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	4
Governing the business	4
Managing resources	3

- 29** The Council is performing excellently in its overall use of resources.

## Value for money and use of resources

**30** More specifically, the Council has:

- performed excellently in effectively managing its finances to deliver value for money;
- performed excellently in governing itself and commissioning services that provide value for money and deliver better outcomes for local people; and
- performed well in managing its natural resources and physical assets to meet current and future needs and deliver value for money.

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### VFM Conclusion

**31** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 3.

**32** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Closing remarks

- 33** I have discussed and agreed this letter with the Chief Executive and the Borough Treasurer. I will present this letter at the Executive Cabinet on 16 December 2009 and to the Overview (Audit) Panel. The Council is asked to provide a copy to all Councillors.
- 34** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

**Table 2** Reports in the year

Report	Date issued
Audit and inspection plan 2008/09	June 2008
Summarised in previous annual audit and inspection letter: <ul style="list-style-type: none"> <li>• Corporate assessment</li> <li>• Community Safety</li> </ul>	November 2008 January 2009
Annual Governance Report 2008/09: <ul style="list-style-type: none"> <li>• Tameside Metropolitan Borough Council</li> <li>• Greater Manchester Pension Fund</li> </ul>	September 2009
Opinion on the financial statements of the Council	September 2009
Value for money conclusion	September 2009
Opinion on the financial statements of the Pension Fund and within its Annual Report	September 2009
Opinion audit memorandum	November 2009
Use of resources presentation	November 2009

- 35** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Mark Heap  
District Auditor  
November 2009

# Appendix 1 – Summary of recommendations

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<b>Annual Audit Letter 2008/09 Recommendations</b>						
5	Ensure that PFI projects are accounted for fully in accordance with SORP 2009 guidance.	3	Accountancy	Yes	To be addressed as part of the closure of the accounts for 2009/10; plans are already in place to achieve this.	March 2010
5	Continue to improve the presentation of the financial statements to align fully with the technical standards in the SORP.	3	Accountancy	Yes	To be addressed as part of the closure of the accounts for 2009/10; plans are already in place to achieve this.	May 2010
6	Review the arrangements for obtaining completed forms from employers as soon as possible after the year-end so the reconciliations of pension contributions can be completed earlier.	3	Service Unit Manager; and Pensions Benefit Manager	Yes	This is a difficult area to deliver ongoing improvement. We are looking at ways in which we can provide additional support to employers in dealing with pension issues, the exchange of data will be an important component in which we will be looking to secure improvements.	December 2009

## Appendix 1 – Summary of recommendations

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	Review and develop the processes for providing accounting assurance as to valuation for the more specialist indirect property funds.	3	Service Unit Manager Pensions Accountancy	Yes	The value of property assets has fallen significantly during the financial year and prices have been very volatile. All property funds are independently valued and these independent valuations have been reflected in valuing the Fund's indirect property assets. We will look to see what further accounting assurance we can provide on the valuation of these assets.	February 2010

## Appendix 2 – Audit Fees 2008/09

The audit work has been delivered to meet the planned fee for 2008/09.

**Table 3      Audit fees 2008/09**

	<b>Actual fee</b>	<b>Planned and agreed fee</b>
	<b>£</b>	<b>£</b>
Financial statements including whole of government accounts	172,050	172,050
Value for money	63,350	63,350
Building schools for the future accounting view	6,000	6,000
<b>Total audit fees</b>	<b>241,400</b>	<b>241,400</b>
Grants and returns certification to date	35,500	
Non-audit work:		
Advice and assistance:		
• community safety follow up	3,000	3,000
Inspection including the corporate assessment November 2008	127,480	127,480

# Appendix 3 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

## Managing finances

<b>Theme score: Managing finances</b>	<b>4</b>
<b>Key findings and conclusions</b>	
The Council has performed excellently in managing its finances to deliver value for money.	
<b>KLOE 1.1 (financial planning)</b>	
<b>Score</b>	<b>4</b>
<b>VFM criterion met</b>	<b>Yes</b>
<b>Key findings and conclusions</b>	
<p>A strong approach to financial planning has sustained improvement in priority outcomes, financial stability and efficiency. Capital, revenue and external resources are directed to strategic priority areas and the Council's financial management systems facilitate flexibility in responding quickly to redirecting resources to areas of new need.</p> <p>Financial planning is fully integrated with the whole business, other planning and delivery cycles, efficiency savings programmes, work with partners, external resources, monitoring of services and financial performance. Strong partnership working is evidenced.</p> <p>There is a comprehensive online business planning, performance and risk management system which is used to track actions and outcomes against priorities.</p>	

## Appendix 3 – Use of resources key findings and conclusions

<b>KLOE 1.2 (understanding costs and achieving efficiencies)</b> <b>Score</b> <b>VFM criterion met</b>	<b>4</b> <b>Yes</b>
<b>Key findings and conclusions</b>	
<p>The Council demonstrates a systematic approach to value for money and an excellent understanding of costs and performance across the Council. A number of significant efficiency gains and improvements have been achieved, securing better, more innovative use of resources. The drive for improvement is evident across the Council's activities and stems from long term staff development and a continuous improvement programme.</p> <p>Whole-life costs, opportunity costs and sustainable development are systematically assessed as part of the financial decision making process.</p> <p>The many changes and innovations in delivery have led to significant recurring annual savings and have added value to outcomes.</p>	
<b>KLOE 1.3 (financial reporting)</b> <b>Score</b> <b>VFM criterion met</b>	<b>3</b> <b>Yes</b>
<b>Key findings and conclusions</b>	
<p>Internal users, stakeholders and local people's need are well met by timely, reliable financial reporting. Innovative and effective uses of the media have introduced new reporting formats. Significant engagement with and reporting to local people is facilitated via a range of consultations, feedback mechanisms and short web videos setting out details about further developments to services.</p>	

**Governing the business**

<b>Theme score: Governing the business</b>	<b>4</b>
<b>Key findings and conclusions</b>	
The Council has performed excellently in governing itself and commissioning services that provide value for money and deliver better outcomes for local people.	
<b>KLOE 2.1 (commissioning and procurement)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
<b>Key findings and conclusions</b>	
<p>A strategic and systematic approach to commissioning and procurement is clearly focused on priorities and outcomes characterised by member engagement and clear procurement steering via a network of ‘champions’. There is active stakeholder engagement leading to improved commissioning outcomes. Proactive work is carried out to develop the market further.</p> <p>In Adult Services, there is a robust joint strategic approach to commissioning with partners which is helping to increase the independence of older people. Strategic commissioning in children’s services with partners is being further developed via a Joint Commissioning Framework. Further developments include the intention to make the 2010 Children and Young People’s Plan a commissioning plan.</p> <p>The approach to procurement is supported by a comprehensive current procurement strategy and web-based plan that details the procurement process. E-procurement is well-embedded.</p>	

## Appendix 3 – Use of resources key findings and conclusions

<p><b>KLOE 2.2 (data quality and use of information)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>4</b></p> <p><b>Yes</b></p>
<p><b>Key findings and conclusions</b></p>	
<p>Comprehensive understanding and use of reliable data with partners is demonstrated by improvements in services and performance. Proactive work with partners ensures that shared data is reliable and fit for purpose. The Council's embedded robust framework to oversee data quality is extended by a partnership-wide strategy. The online Partnership Information Portal provides current data for 90 registered users including the voluntary and community sector.</p> <p>Audit Commission testing has demonstrated that data quality arrangements are well embedded, resulting in high quality data. In addition, the performance management framework is robust and embedded. The online business planning and risk management system is well used to monitor performance against priorities.</p>	
<p><b>KLOE 2.3 (good governance)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>4</b></p> <p><b>Yes</b></p>
<p><b>Key findings and conclusions</b></p>	
<p>The Council displays strong community leadership, very effective partnership working which is delivering improvements, an excellent understanding of its diverse communities, and the capacity to achieve priorities. Performance improvement features strongly, with members providing informed challenge and review. Purpose and vision are designed and reinforced by Tameside Strategic Partnership (TSP) events and corporate days. Governance arrangements are extended to the TSP. Outputs from the Standards Committee (supported by an officer panel) give strong communication of - and ethical leadership for - the governance agenda.</p> <p>Principles of good governance have been adopted. The Council annually reviews its governance arrangements and most recently has adopted in full the CIPFA code of governance.</p>	

<p><b>KLOE 2.4 (risk management and internal control)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Council manages its risks well. There is a good, effective system of internal control that includes:</p> <ul style="list-style-type: none"> <li>• a well established online risk management process, electronically linked to the business planning and performance management system, so that risks are regularly reviewed, actioned and updated by officers and Councillors;</li> <li>• a proactive internal audit function that meets professional standards and delivers a wide range of competent audit work;</li> <li>• a well supported Annual Governance Statement; and</li> <li>• effective audit and standards committee arrangements which demonstrate how the Council's values and ethical standards are met.</li> </ul> <p>Information as to how any irregularities have been addressed is reviewed and an anti fraud culture promoted. Effective governance arrangements are applied to partnerships both in respect of strategic matters and performance delivery.</p>	

## Appendix 3 – Use of resources key findings and conclusions

### Managing resources

<b>Theme score: Managing resources</b>	<b>3</b>
<b>Key findings and conclusions</b>	
The Council has performed well in managing its natural resources and physical assets to meet current and future needs, and to deliver value for money.	
<b>KLOE 3.1 (use of natural resources)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
<b>Key findings and conclusions</b>	
Natural resources and physical assets are managed well with an embedded approach to delivering priorities, sustainability and value for money in this area. For over two years, an Energy Panel - chaired by the Council Leader - has overseen and monitored energy efficiency work and related carbon emissions from services and has responded by introducing targeted improvements. The Environmental Strategy aims to reduce the use of natural resources and protect the environment. Targets are monitored and delivered through the business planning system. Good progress is being made. There is also a track record of innovative outcomes in the area of sustainability.	

## Appendix 3 – Use of resources key findings and conclusions

<b>KLOE 3.2 (strategic asset management)</b> <b>Score</b> <b>VFM criterion met</b>	<b>4</b> <b>Yes</b>
<b>Key findings and conclusions</b>	
<p>Asset management is successful and fully aligned with priorities and intended outcomes. Work with partners and community groups has developed facilities at local public buildings, which anchor public services at a local and responsive level. The focus is on using the asset base to help deliver sustainable social, environmental and economic outcomes for local communities. Significant major contributions to the management and use of assets were successfully delivered aligned with strategic priorities and using sustainable practices.</p> <p>Successful partnership work has led to the development of new assets. A Strategic Asset Management Group is in place. Benchmarking and performance information and whole life costing are widely used to improve performance.</p>	
<b>KLOE 3.3 (workforce planning)</b> <b>Score</b> <b>VFM criterion met</b>	<b>Not assessed in 2008/09</b> <b>Not applicable in 2008/09</b>

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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