

Report to Audit Committee

Notification of Completion of the 2016/17 and 2017/18 Accounts Audit

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Resources

Officer Contact: Anne Ryans, Director of Finance

Report Author: Lee Walsh, Finance Manager (Capital & Treasury)
Ext. 6608

10 January 2019

Reason for Decision

To inform Audit Committee of the formal completion of the 2016/17 and 2017/18 accounts audits and issue of the Annual Audit Letter by the Council's External Auditor, Grant Thornton UK LLP.

Executive Summary

Notification of the completion of the accounts audit for the 2016/17 and 2017/18 financial years was given by the auditors on 3 October 2018. This follows the conclusion of all audit work regarding the outstanding objection to the 2016/17 Statement of Accounts. The Audit Closure Certificates for the 2016/17 and 2017/18 financial years are provided at Appendices A and C respectively.

In line with the Accounts and Audit Regulations 2015 the auditors (Grant Thornton UK LLP) have also provided the Council with the Annual Audit letter which details the audit work completed in the year together with the Audit Fee.

Recommendations

The Audit Committee notes the notification of the completion of the 2016/17 and 2017/18 accounts audits and the issue of the Annual Audit Letter by Grant Thornton UK LLP.

Notification of Completion of the 2016/17 and 2017/18 Accounts Audit**1 Background**

- 1.1 Under the provisions of the Accounts and Audit Regulations 2015 (“the Regulations”), following the completion of the Accounts Audit the Council is provided with an Annual Audit Letter by its Auditors. This must be considered by the Council’s Audit Committee as soon as is reasonably practicable.
- 1.2 Members will be aware that for the financial years 2016/17 and 2017/18, the Council’s appointed External Auditor was Grant Thornton UK LLP, but that for the five year period commencing 1 April 2018 the Council’s External Auditor is Mazars.
- 1.3 The External Auditor also provides the Council with an audit certificate upon formal conclusion of the audit process. However, as the Council received an objection to its 2016/17 Statement of Accounts during the statutory public inspection period, this meant that although the Council’s External Auditor (Grant Thornton UK LLP) was able to give an unqualified audit opinion for 2016/17 to the Audit Committee on 17 July 2017 they were unable to formally conclude the Audit. Similarly, although the Auditor gave an unqualified opinion for 2017/18 to the Audit Committee on 16 July 2018, the audit could not be formally concluded due to the outstanding objection and the requirement to conclude the 2017/18 Whole of Government Accounts (WGA) audit.
- 1.4 Following the successful conclusion to the objection, the Auditor was able to formally issue the audit certificates for both the 2016/17 and 2017/18 financial years.

2 Current Position

- 2.1 The notifications issued by Grant Thornton UK LLP confirming the closure of both the 2016/17 and 2017/18 accounts audit are shown at Appendix A and Appendix C respectively.
- 2.2 The notifications state that following the completion of the required audit work on the Council’s WGA returns for both 2016/17 and 2017/18 and the outstanding objection to the 2016/17 Statement of Accounts, no matters came to the attention of Grant Thornton UK LLP that would have a material impact on the Council’s accounts. As a result, notification was given on 3 October 2018 that the Councils 2016/17 and 2017/18 accounts audits were completed.
- 2.3 In line with the Regulations, completion of both years’ accounts audits have been advertised on the Council’s website.
- 2.4 In addition, to mark the completion of the audit, Grant Thornton UK LLP has also issued the Annual Audit Letter to the Council for the year ending 31 March 2018. This is shown at Appendix D and summarises the key findings from the work carried out during the financial year. This is intended to communicate key messages to the Council and key stakeholders including members of the public. The Letter sets out information on the:
 - a) Financial Statements Audit – highlighting information presented to the Audit Committee
 - b) WGA completion
 - c) Value for Money Conclusion – confirming the unqualified audit opinion
 - d) Issue of the certificate of the conclusion of the audit
 - e) Audit fee for 2017/18
 - f) Grant certification work undertaken

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- 2.5 All the information contained in the Letter is in accordance with expectations.
- 2.6 Also provided at Appendix B is the Annual Audit Letter for the year ending 31 March 2017.
- 3 Options/Alternatives**
- 3.1 The Audit Committee can either choose to note the notification of the completion of the 2016/17 and 2017/18 accounts audits and issue of the Annual Audit Letter by Grant Thornton UK LLP or not do so. There are no other alternatives.
- 4 Preferred Option**
- 4.1 The preferred option is that the Audit Committee notes the notification of the completion of the 2016/17 and 2017/18 accounts audits and issue of the Annual Audit Letter by Grant Thornton UK LLP.
- 5 Consultation**
- 5.1 Consultation has taken place with the Council's external auditors for 2016/17 and 2017/18, Grant Thornton UK LLP.
- 6 Financial Implications**
- 6.1 Dealt with in the body of the report.
- 7 Legal Services Comments**
- 7.1 There are no Legal implications.
- 8 Co-operative Agenda**
- 8.1 Improving the quality and timeliness of the financial information available to citizens of Oldham supports the cooperative ethos of the Council.
- 9 Human Resources Comments**
- 9.1 There are no Human Resource implications.
- 10 Risk Assessments**
- 10.1 There are no risk implications.
- 11 IT Implications**
- 11.1 There are no IT implications.
- 12 Property Implications**
- 12.1 There are no Property implications.
- 13 Procurement Implications**
- 13.1 There are no Procurement implications.

14 **Environmental and Health & Safety Implications**

14.1 There are no Environment, Health or Safety implications.

15 **Equality, community cohesion and crime implications**

15.1 There are no Equality, community cohesion or crime implications.

16 **Equality Impact Assessment Completed?**

16.1 N/A

17 **Key Decision**

17.1 No

18 **Key Decision Reference**

18.1 N/A

19 **Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref:	Background papers are provided in Appendices A to D
Officer Name:	Lee Walsh
Contact No:	0161 770 6608

20 **Appendices**

20.1 Appendix A – Notification of the Completion of the 2016/17 Accounts Audit
Appendix B – Annual Audit Letter 2016/17
Appendix C – Notification of the Completion of the 2017/18 Accounts Audit
Appendix D – Annual Audit Letter 2017/18

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OLDHAM COUNCIL (the "Authority")**Issue of audit opinion on the financial statements**

In our audit report for the year ended 31 March 2017 issued on 17 July 2017 we reported that, in our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2017 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- had been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2016/17; and
- had been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

In our audit report for the year ended 31 March 2017 issued on 17 July 2017 we reported that, on the basis of our work, we were satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Certificate

In our report dated 17 July 2017, we explained that we could not formally conclude the audit on that date until:

- we had completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the year ended 31 March 2017; and
- we had completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014.

These matters have now been dealt with.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office on behalf of the Comptroller and Auditor General.

John Farrar

John Farrar
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

3 October 2018

The Annual Audit Letter for Oldham Metropolitan Borough Council

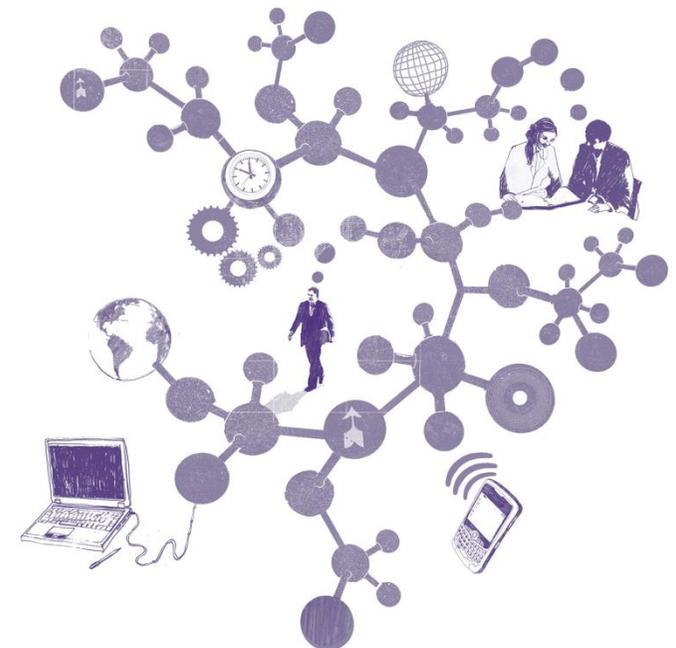
Year ended 31 March 2017

27 October 2017

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Oldham Metropolitan Borough Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee (as those charged with governance) in our Audit Findings Report on 17 July 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 17 July 2017.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 17 July 2017.

Whole of government accounts We completed work on the Council/Authority's consolidation return following guidance issued by the NAO and issued an unqualified report on 20 October 2017.

Certificate

We are currently unable to certify that we have completed the audit of the accounts of Oldham Metropolitan Borough Council as we have not yet completed the work in respect of objections received.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £9.38 million, which is 1.75% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for senior officer remuneration and related party disclosures.

We set a lower threshold of £470,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment</p> <p>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>We completed the following work in relation to this risk</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate. • reviewed of the competence, expertise and objectivity of management expert used. • reviewed the instructions issued to valuation experts and the scope of their work • held discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • reviewed and challenged of the information used by the valuer to ensure it is robust and consistent with our understanding. • tested a sample of revaluations made during the year to ensure they are input correctly into the Council's asset register • reviewed the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. 	<p>Our audit work did not identify any issues relating to the valuation of PPE at 31 March 2017.</p> <p>We did identify an issue relating to the accounting transactions in respect of the biomass boiler which had a non material impact on the opening balance,</p>
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<p>We completed the following work in relation to this risk</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • obtained assurance from the auditor of the Pension Fund on the controls in place over accuracy of information provided to the actuary. • confirmed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation • gained an understanding of the basis on which the valuation is carried out. • carried out procedures to confirm the reasonableness of the actuarial assumptions made including the use of an audit expert and considered whether known outturns are within acceptable tolerances to confirm the reasonableness of the actuary's approach • reviewed 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 did not identify any issues relating to the valuation of the Council's pension fund net liability.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 17 July 2017, well in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit on 28 April in line with the agreed early timetable, and provided a good set of working papers to support them. Many of the working papers were available for review in advance of receiving the financial statements.

The finance team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Audit Committee on 17 July 2017.

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

- the draft accounts only required one non material classification amendment and a small number of amendments to disclosure notes.
- we identified one non-material misstatement (understatement) of opening balances for Property Plant and Equipment, which the Council chose not to amend as the omitted asset had been both acquired and subsequently disposed of at nil consideration.
- working papers provided to us were of a high quality
- finance staff responded promptly to all audit queries in line with agreed protocols, contributing to a prompt completion of the audit.
- our audit did not identify any further adjustments affecting the Council's expenditure or level of useable reserves.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's consolidation schedule in line with instructions provided by the NAO. Technical issues prevented the Council from completing the return within the expected timetable, resulting in a delay in submitting the return for audit.

Following receipt of return for audit on 4 September 2017 our work identified a number of amendments required to reflect the Council's Group Accounts and a number of additional disclosures. Following the amendment of the WGA return we issued a group assurance certificate which did not identify any issues for the group auditor to consider on 20 October 2017.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Health & Social Care Integration</p> <p>Oldham's Locality Plan for Health and Social Care Transformation sets out the local partners joint plan for the transformation and integration of health and social care services.</p> <p>Working with partners from different organisations and service areas with potentially conflicting priorities, the project is complex and high profile.</p> <p>In addition Oldham's Locality Plan needs to be set alongside the Greater Manchester Devolution transformation agenda It is therefore essential that the Plan's workstreams are congruent with the wider plans across Greater Manchester, particularly for the 'North East Sector'.</p> <p>This links to the Council's arrangements for working effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control.</p>	<p>We reviewed the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring these risks.</p> <p>We reviewed how the Council works with its partners, both locally and across Greater Manchester to ensure plans and workstreams are congruent with the wider developments across Greater Manchester and are progressing as planned.</p>	<p>The Council recognises the risks associated with the development of the Oldham Integrated Care Organisation (ICO) against the background of wider developments across Greater Manchester through the Greater Manchester Health and Social Care Partnership.</p> <p>The ICO has been in development for over 12 months and a request for £21.9m of funding for service transformation and management costs was submitted to the Greater Manchester Health and Social Care Partnership Board (GMHSCP) in October 2016.</p> <p>A decision on this request, which had been expected in January 2017 was deferred by the GMHSCP Board until the wider challenges across Greater Manchester, particularly the NE sector involving Oldham's acute healthcare provider, could be clarified and the impact on the transformation bids from the relevant localities could be recognised.</p> <p>Progress on the development of Oldham's ICO has therefore been delayed until the outcome of the review by GMHSCP is known, as the Council did not wish to embark on a course of action that might then not align to the wider vision for the NE sector.</p> <p>Following extensive discussions by both Oldham partners with the GMHSCP, a revised bid for GM transformation funding was submitted in the early part of 2017 which recognised the re-profiling of the developments in the Oldham locality. This bid for resources has recently been approved at a sum of £21.3m slightly lower than the bid value. In the meantime, and to ensure key transformations such as developments to tackle increasing A&E pressures could continue, the Council and its CCG partner made use of non-recurrent 'seed funding' from the GMHSCP together with the deployment of Council resources (at risk) in advance of receiving a decision on any allocation from the GMH&SC Transformation Fund.</p> <p>The Council is continuing to work with local partners on the development of the Oldham ICO whilst collaborating with GMHSCP and partners across the North East Sector on wider transformation developments.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	135,621	135,621	135,621
Housing Benefit Grant Certification	16,305	*TBA	13,361
Total fees (excluding VAT)	151,926	TBA	148,982

*Housing Benefit Grant Certification work is still underway. The final fee will be confirmed in due course.

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Subsidiary companies

Grant Thornton UK LLP also provides audit services to the wholly owned subsidiary companies in Miocare Group Community IC for fees totalling £19,500. This is a separate engagement outside the remit of Public Sector Audit Appointments Limited.

Other non-audit services provided to Miocare are also identified in this section.

Reports issued

Report	Date issued
Audit Plan	2 March 2017
Audit Findings Report	17 July 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Audit related services:	
• Teachers Pension Return - certification	4,600
Non-audit services to Miocare (see next page)	8,095

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place, as reported in our Audit Findings Report.

Reports issued and fees continued

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards have been applied to mitigate these risks.

Non-audit services	Service provided to	Fees	Threat identified	Safeguards
Tax compliance services	Miocare Group CIC	£3,350	N	Separate Team
Accounts preparation and IXBRL tagging	Miocare Group CIC	£4,745	N	Separate Team
	TOTAL	£8,095		

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OLDHAM COUNCIL (the "Authority")**Issue of audit opinion on the financial statements**

In our audit report for the year ended 31 March 2018 issued on 18 July 2018 we reported that, in our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- had been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- had been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

In our audit report for the year ended 31 March 2018 issued on 18 July 2018 we reported that, on the basis of our work, we were satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Certificate

In our report dated 18 July 2018, we explained that we could not formally conclude the audit on that date until:

- we had completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the year ended 31 March 2018; and
- we had completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014.

These matters have now been dealt with.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office on behalf of the Comptroller and Auditor General.

John Farrar

John Farrar
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

3 October 2018

Annual Audit Letter

Year ending 31 March 2018

Oldham Council

August 2018



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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Oldham Metropolitan Borough Council (the Council) and its subsidiary (the group) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 16 July 2018.

Our work

Materiality

We determined materiality for the audit of the Council's financial statements to be £11,000,000 and materiality for the group's financial statements to be £11,100,000, which is 2% of both the Council's and the group's gross revenue expenditure.

Financial Statements opinion

We gave an unqualified opinion on the group's financial statements on 18/7/2018.

Whole of Government Accounts (WGA)

We completed our work on the Council's consolidation return on 30 August 2018, following guidance issued by the NAO. We concluded that the Council's WGA return was consistent with the audited financial statements.

Use of statutory powers

We did not identify any matters which required us to exercise our additional statutory powers. We have not certified the conclusion of the audit pending conclusion of an objection to the 2016/17 financial statements. The objection relates to the Council's Lender Option, Borrower Option (LOBO) loan borrowing.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Value for Money arrangements We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 18/7/2018.

Certification of Grants We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2018. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

Certificate We did not certify the completion of the 2017/18 audit of Oldham Council in our auditor's report, as there is an outstanding objection to the 2016/17 financial statements that we are in the process of finalising.

The objection relates to the Council's portfolio of Lender Option, Borrower Option (LOBO) loans.

Working with the Council

Our audit work was completed on site during June and July 2018. We have concluded that the other information published with the financial statements, which includes the Annual Governance Statements and Narrative Reports are consistent our knowledge of your organisation and with the financial statements we have audited.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2018

Audit of the Accounts

Our audit approach

Materiality

In our audit of the group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group accounts to be £11,100,000, which is 2% of the group's gross revenue expenditure. We determined materiality for the audit of the Council's accounts to be £11,000,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration of £50,000 due to the public interest in the disclosures and related party transactions due to the significance of the other party.

We set a threshold of £550,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts and the narrative report and annual governance statement published within the Statement of Accounts to check they are consistent with our understanding of the group and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach is based on a thorough understanding of the group's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The revenue cycle includes fraudulent transactions Under ISA 240 (UK) 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 Oldham Council, we 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 Oldham Council, mean that all forms of fraud are seen as unacceptable <p>Our audit work did not identify any issues in respect of revenue recognition.</p>	<p>Our audit work did not identify any issues in respect of revenue recognition.</p>
<p>Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>We undertook the following work in relation to this risk</p> <ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of journal entry processes • review of entity controls • review of unusual significant transactions <p>Our audit work did 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 did not identify any significant issues.</p>	<p>Our audit work did not identify any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries did not identify any significant issues.</p>

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment (PPE) The Council revalues its PPE on a rolling basis over a five yearly basis. The Code requires that the Council ensures that the carrying value is not materially different from the current value at the financial statements date. This represents a significant estimate by management in the core financial statements and the group accounts. This due to the significant value of PPE in the financial statements and annual revaluations.</p> <p>The Council's financial statements include £52.9 million of revaluation movements, of which £50.9 million is in respect of Land and Buildings.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • updating our understanding of the processes put in place by management to ensure the revaluation measurements are correct and evaluating the design of the associated controls • evaluating the competence, capabilities and objectivity of the valuation expert (the valuer) • challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding • assessing the overall reasonableness of the valuation movements • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • evaluating the Council's considerations of any relevant indicators of asset impairment. 	<p>We obtained sufficient audit assurance to conclude that:</p> <ul style="list-style-type: none"> • the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and • the valuation of property disclosed in the financial statements is reasonable.
<p>Valuation of the net pension fund liability The Council's net pension fund liability as reflected in its balance sheet represents a significant estimate in the core financial statements and group accounts. This is due to the significant value and complexity of the underlying assumptions used.</p> <p>We therefore identified valuation of the Council's net pension fund liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • gaining an understanding of the processes and controls put in place by management to ensure that the Council's net pension fund net liability is not materially misstated and evaluating the design of the associated controls • evaluating the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • undertaking procedures to confirm the reasonableness of the actuarial assumptions made • considering the adequacy, completeness and relevance of the source data provided to the pension fund actuary by the pension fund administering authority on behalf of the Council • reviewing the reasonableness of the pension fund gross asset valuation and the Council's share thereof 	<p>We obtained sufficient audit assurance to conclude that:</p> <ul style="list-style-type: none"> • the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and • the valuation of the Council's net pension fund liability disclosed in the financial statements is reasonable

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the group's financial statements on 18 July 2018, in advance of the national deadline.

Preparation of the accounts

The group presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit Committee on 16 July 2018

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We completed our work on the Council's Data Collection Tool in line with instructions provided by the NAO during August 2018, there were no significant matters arising in relation to this work.

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have not exercised any of these powers at the time of drafting this Annual Audit Letter, however we cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014.

We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Health and Social Care Integration: working with partners</p> <p>Oldham Council and CCG continue to work together to redesign the way health and social care services are delivered across the borough. They are working with Pennine Care Foundation Trust and Pennine Acute Trust to establish joint commissioning arrangements through a Local Care Organisation.</p> <p>The Council and CCG have introduced interim operating arrangements with the intention of creating a pooled budget with a Strategic Joint Commissioning Board.</p> <p>Working with partners from different organisations and service areas with potentially conflicting priorities, the project is complex and high profile.</p>	<p>Oldham Council and CCG jointly developed the Oldham Locality Plan covering the period 2016/17 to 2020/21. The Plan sets out the vision to improve services and health outcomes for patients in the borough whilst closing an original £123 million forecast financial gap over the period.</p> <p>The Council and CCG's executive management teams have been developing the structures and processes to aim to successfully deliver the Plan. During 2017/18 finance officers across the Council, CCG and other NHS colleagues have jointly worked to drive forward the financial benefits of integrated working.</p> <p>The securing of £21.4 million Greater Manchester (GM) transformation funding with the GM Health and Social Care Partnership during 2017 is a key development in increasing the pace and scale of delivery. Work is progressing between the Council, CCG and key health providers as part of interim operating arrangements to finalise the structure of a Local Care Organisation which will be core to future delivery.</p> <p>The Council and CCG will work initially under an alliance arrangement 'Oldham Cares' with a pooled budget and s75 agreement and with a strategic joint Commissioning Partnership Board.</p> <p>The Interim Commissioning Partnership have agreed an Oldham Cares outcome framework to inform commissioning priorities and work is underway to test areas for early integrated commissioning in 2018/19. Work to date has also included a comprehensive review of the health, care and wellbeing estate as a key enabler of change.</p> <p>We concluded from our review that the Council is developing comprehensive plans to facilitate the health integration agenda.</p>	<p>The Council has proper arrangements for working with partners effectively to support the delivery of its strategic priorities.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services

Reports issued

Report	Date issued
Audit Plan	February 2018
Audit Findings Report	July 2018
Annual Audit Letter	August 2018

Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory group audit*	135,621	TBC	135,621
Housing Benefit Grant Certification **	13,361	TBC	16,305
Total fees	148,982		151,926

* Core audit fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). The final fee will also include an additional £4k for additional work as Oldham is a Public Interest Entity with listed debt, however the final fee cannot be confirmed until we have concluded our work in relation to the objection to the Council's 2016/17 financial statements.

** Our fee for certifying the Council's Housing Benefit Subsidy claim will be confirmed on conclusion of this work.

Fees for non-audit services

Service	Fees £
Audit related services	4,600
- Teachers pensions return certification	
Non-Audit related services	
- Miocare Group CIC and it's subsidiaries audit	19,540
- Place Analytics socio-economic research data	20,000

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The table above summarises all non-audit services which were identified
- We have considered whether non-audit services might be perceived as a threat to our independence as the group's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the group's policy on the allotment of non-audit work to your auditor



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