



Audit Completion Report Draft to Audit Committee

Oldham Metropolitan Borough Council
Year ending 31 March 2019

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Audit Committee
Oldham Metropolitan Council
Civic Centre
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Oldham
OL1 1UT

25 June 2019

Dear Audit Committee Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks, key audit matters and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to Audit Committee on 10 January 2019. We have reviewed the significant audit risks, key audit matters and other areas of management judgement included in our Audit Strategy Memorandum and have considered an additional area of management judgement as part of the audit: the methodology and assumptions underpinning the Council's valuation of its investment in Manchester Airport Holdings Limited

We would like to express our sincere thanks for the significant support and assistance of your finance team during our audit.

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

Yours faithfully

Karen Murray
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1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Oldham Metropolitan Borough Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Audit Committee meeting on 25 June 2019.

The detailed scope of our work as your appointed auditor for 2018/19 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 ('the 2014 Act') and, as outlined in our Audit Strategy Memorandum, our audit has accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 3 and 6 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 3 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control;
- Revenue recognition;
- Valuation of Property, Plant & Equipment;
- Valuation of Defined Benefit Pension Liability;
- Group Financial Statements consolidation process; and
- Valuation of investment in Manchester Airport Holdings Limited.

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

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 conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO.

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 of objections relating to 2018/19.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pension Liability	●	<p>The Council has obtained updated evidence from their actuary of the impact on the Pension Liability valuation of two legal judgements relating to guaranteed minimum pensions and transition provisions in the Local Government Pension Scheme. The actuarial conclusion is that the impact is not material.</p> <p>We are awaiting additional assurance from the NAO's consulting actuary on the appropriateness of the actuarial assessment of the impact of the two legal judgements on the Council's liabilities.</p>
Testing of general IT controls	●	Final elements of our testing of IT controls are still to be completed
Signed final statements and signed Management Representation Letter	●	Following the Audit Committee on 25 June 2019 the Council will provide signed copies of the financial statements, annual governance statement and Management Representation Letter

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Audit Adjustments and Internal Control Recommendations

Section 4 sets out the internal control recommendation that we have made.

Section 5 outlines the audit adjustments noted as part of our audit as at the time of issuing this report. If any additional adjustments are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

2. AUDIT APPROACH

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum (ASM) in January 2019. Following further discussions with the Council we have updated our approach as previously documented in the ASM. In particular we:

- Consider that the valuation of the Council's investment in Manchester Airport Holdings Limited is a significant management judgement, although we have not identified this as a significant risk or a Key Audit Matter. The Council uses an external valuation expert to determine the value of its investment, using a methodology and applying assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements; and
- Do not now consider Unity Partnership Ltd to be a service organisation of the Council in the context of their production of the financial statements.

There are no other changes to our approach to the Council or Group financial statements as communicated to the Council in our ASM in January 2019.

Materiality

We set materiality at the planning stage of the audit at £10m for the Group financial statements and £9.9m for the Council financial statements, using a benchmark of around 1.7% of gross expenditure at the Surplus/Deficit at Net Cost of Services level.

Our final assessment of materiality, based on the final 2018/19 financial statements and qualitative factors is unchanged from that at the planning stage for both the Group and Council financial statements. Our final materiality levels and trivial thresholds are set out in the table below. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee, at £300k for the Group and £299k for the Council based on 3% of overall materiality).

Materiality element	Group materiality	Council single-entity materiality
Overall materiality	£10,000,000	£9,990,000
Performance materiality	£6,000,000	£5,994,000
Trivial threshold for reporting to Audit Committee	£300,000	£299,700

We confirm that there were no qualitative factors which we considered when setting the level of materiality for the Group or the Council.

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that adjustments of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We set specific materiality for the following items of account/disclosures:

Item of account/disclosure	Specific materiality
Officer remuneration bandings (Note 9)	£5,000 *
Related Party Transactions (Note 13)	£50,000

* Reflecting movement from one salary band to another

2. AUDIT APPROACH (CONTINUED)

Key summary of audit approach and findings

We have summarised the key information regarding our approach, risks and significant findings for the Comprehensive Income & Expenditure Statement and Balance Sheet in the tables below. Further information on the findings are provided in sections 3 and 5.

Comprehensive Income & Expenditure Statement

Account area	Material misstatement risk	Risk description	Key Audit Matter	Changes to audit approach	Significant audit findings
Net cost of services	Standard	-	No	None	Non-material adjustment to Group
Other operating expenditure	Standard	-	No	None	No
Financing and investment I&E	Standard	-	No	None	Non-material adjustment to Council and Group
Taxation and non-specific grant I&E	Standard	-	No	None	No
Other comprehensive I&E	Standard	-	No	None	Non-material adjustment to the Group

Balance Sheet

Account area	Material misstatement risk	Risk description	Key Audit Matter	Changes to audit approach	Significant audit findings
Property, plant and equipment	Significant	Valuation risk	Yes	None	Non-material adjustment to Council
Long term investments	Enhanced	Valuation of MAHL investment	No	Yes	No
Short term debtors	Standard	-		None	No
Cash and cash equivalents	Standard	-	No	None	No
Short term creditors	Standard	-	No	None	No
Borrowings	Standard	-	No	None	No
Provisions	Standard	-	No	None	No
Pension Liabilities	Significant	Valuation of GMPF pension liability	Yes	None	Work still to complete Non-material adjustment to Group
Reserves	Standard	-	No	None	No

Executive summary

Audit approach

Significant findings

Internal control recommendations

Summary of audit adjustments

Value for Money conclusion

Appendices

2. AUDIT APPROACH (CONTINUED)

Overview of our group audit approach

The Council's Group financial statements for 2018/19 includes two wholly owned subsidiary companies, Miocare Group Community Interest Company and The Unity Partnership Limited. The 2018/19 financial year is the first that the Council has consolidated The Unity Partnership Limited into its Group financial statements, following the purchase of the company during the year.

Our Audit Strategy Memorandum provided details of our intended group audit approach. We confirm that there have been no changes to our approach outlined in that Memorandum, and in particular we have not considered either subsidiary to be a significant component and consequently we have not obtained specific assurance from the component auditors of the two companies.

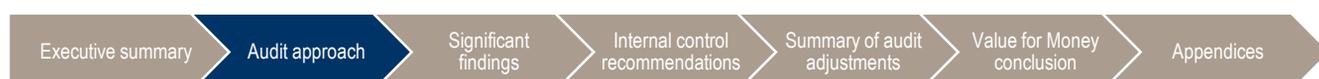
The table below confirms the approach we have taken to auditing the Council's consolidated financial statements.

Entity	Nature of entity audit	Entity auditor	Description of Mazars Group audit procedures undertaken on the component	Changes to audit approach
Oldham Council (parent)	NAO Code audit	Mazars LLP	A full audit of the Council financial statements and consolidation process	None
Miocare Community Interest Company (subsidiary)	Statutory audit	Grant Thornton LLP	Desktop group analytical procedures carried out by Mazars on the financial information prepared for group reporting purposes using component materiality	None
Unity Partnerships Ltd (subsidiary)	Statutory audit	PWC LLP	Desktop group analytical procedures carried out by Mazars on the financial information prepared for group reporting purposes using component materiality	None

The Council has applied a consideration of materiality in determining which of its subsidiaries, associates and joint ventures to consolidate into its Group financial statements. The result of this consideration, as disclosed in Note G2 to the Group financial statements is that five Council interests are not consolidated:

- Oldham Economic Development Association Ltd
- Southlink Developments Ltd
- Meridian Development Company Ltd
- FO Developments LLP
- Oldham Property LLP

The Council's consideration of the material impact of these interests on its Group financial statements is in accordance with the applicable financial reporting framework.



3. SIGNIFICANT FINDINGS

Set out on the following pages are the significant findings from our audit. These findings include:

- our findings on key audit matters, including:
 - why the matter was considered to be one of the most significance in the audit and therefore determined to be a key audit matter;
 - how the matter was addressed in the audit including a summary of our response;
 - where relevant, key observations arising with respect to each matter; and
 - a clear reference to the relevant disclosures in the financial statements
- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 13 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; and
- any significant difficulties we experienced during the audit.

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified key audit matters and significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new key audit matters and significant risks have arisen and how we intend to respond to these risks.



3. SIGNIFICANT FINDINGS

Key audit matters

Valuation of Property, Plant & Equipment

Description of the key audit matter

The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle.

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

As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially fairly stated fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value as the assets is materially different at the year end.

Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing (EUV-SH). The Social Housing adjustment factor is prescribed in MHCLG guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Council's area they can use their more accurate local factor. There is a risk that the Council's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence.

How we addressed the key audit matter

We have:

- Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the Council's programme of revaluations;
- Considered whether the overall revaluation methodology used by the Council valuer is in line with industry practice, social housing statutory guidance, the CIPFA Code of Practice and the Council's accounting policies;
- Critically assessed the appropriateness of the underlying data and the key assumptions used in the valuer's calculations;
- Critically assessed the appropriateness of the social housing factor applied to the valuation of the Council Dwellings;
- Assessed the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;
- Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;
- Critically assessed the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially fairly stated; and
- Tested a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.

Observations and conclusions

We have not identified any significant matters from our testing, and we have concluded that the Council's Property, Plant & Equipment is materially fairly stated.

3. SIGNIFICANT FINDINGS

Key audit matters

Valuation of Defined Benefit Pension Liability

Description of the key audit matter

The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2016.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.

How we addressed the key audit matter

We have:

- Critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson;
- Liaised with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;
- Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Observations and conclusions

The final elements of our work on the Pension Liability is still to be completed and concluded.

3. SIGNIFICANT FINDINGS (CONTINUED)

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:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business, being
 - The purchase of Unity Partnerships Limited; and
 - The additional loan provided to Manchester Airport Holdings Limited; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

There are no significant matters arising from our work on the management override of controls.

3. SIGNIFICANT FINDINGS (CONTINUED)

Areas of management judgement

Group Financial Statements consolidation process	Description of the management judgement
	The Council has made judgements around which of its group entities it consolidates into its Group Financial Statements, and how it consolidates the transactions and balances into the Group.
	How our audit addressed this area of management judgement
	Our approach to auditing the Group Financial Statements has been detailed in section 2. We have complemented this work with our work over the Council's Group consolidation process. In particular we have reviewed the Council's judgements relating to the entities that are consolidated into the Group financial statements, and we have reviewed and tested the method of consolidation of those group entities into the Group financial statements.
	Audit conclusion
	Other than some non-material adjustments as described in section 5 there are no significant matters arising from our audit of the Group Financial Statements consolidation process.

Valuation of investment in Manchester Airport Holdings Limited	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 2019. The valuation is determined according to a methodology and applying assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements.
	How our audit addressed this area of management judgement
	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
	There are no significant matters arising from our work on the valuation of the Council's investment in Manchester Airport.

3. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting (the Code). We have considered the appropriateness of the use of the going concern assumption and have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 2 May 2019, four weeks ahead of the statutory deadline and were of a good quality. Good quality supporting working papers have been made available in a timely manner and these have assisted our audit progress. Council finance officers have been very helpful in promptly answering our detailed audit queries.

Significant matters discussed with management

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

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 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any questions or objections during our audit from electors.



4. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

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

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

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Significant deficiencies in internal control – Level 1

There were no significant deficiencies in internal control arising from our 2018/19 audit.

Other deficiencies in internal control – Level 2

There were no other deficiencies in internal control arising from our 2018/19 audit.

Other recommendations on internal control – Level 3

Description of internal control matter

Process for identifying Related Party Transactions

The Council's closedown process for identifying transactions with related parties utilised the disclosed interests (related parties) of elected members and involved an interrogation of the Council ledger to identify transactions with the disclosed related parties. Our work identified that the interrogation was undertaken on only a sample of the disclosed related parties and not the full population.

In response to our initial discussions the Council undertook a comprehensive interrogation of all disclosed related parties in 2018/19 to identify any transactions, and as a result has made an additional disclosure in its Related Party Transactions in Note 13. The Council reports that it will incorporate this comprehensive process into its closedown plans for 2019/20 and this issue is reported for completeness and to discharge our audit reporting responsibilities.

Potential effects

By only initially interrogating a sample of disclosed related parties the Council did not identify and disclose all material transactions with its related parties. The disclosure requirements are to disclose all material related party transactions where materiality is considered from both the Council and the related party's perspective. The subsequent comprehensive interrogation rectified this issue for 2018/19 and the updated disclosures are materially fairly stated.

Recommendation

The Council, in its closedown procedures for 2019/20, should carry out a comprehensive interrogation of its ledger for all the related parties disclosed by members and senior officers.

Management response

The Council has provided additional assurances to the Auditor in 2018/19 and consequently enhanced the related party disclosure. The final accounts process for 2019/20 and future years will incorporate as standard the more robust process and procedures.

Follow up of previous internal control points

As 2018/19 is the first year of our appointment as the Council's external auditor, there are no previous internal controls points to follow up and report.

5. SUMMARY OF AUDIT ADJUSTMENTS

We set out below the items identified for adjustment during the course of the audit, above the level of trivial threshold of £300k for the Group financial statements and £299k for the Council financial statements.

On this page we report the adjustments 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 intend to adjust.

On the following page we report the audit adjustments for which the draft financial statements have been adjusted by management during the course of the audit.

Unadjusted audit differences 2018/19

There are no unadjusted audit differences arising from our audit.



5. SUMMARY OF AUDIT ADJUSTMENTS (CONTINUED)

Adjusted audit differences 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Unity Partnership Defined Benefit Pension Liability in Group financial statements			
Dr: Corporate & Commercial Services Expenditure	809			
Dr: Financing & Investment Income & Expenditure	255			
Dr: Remeasurement of net defined benefit liability	3,925			
Cr: General Fund				4,989
Dr: Group General Fund			14,033	
Cr: Group Pension Liability				14,033

The Council only received the actuarial report for Unity Partnership Ltd on 7th June 2019, and consequently the draft Group financial statements couldn't contain the GMPF defined benefit pension accounting entries. The Group accounts have now been updated to reflect the transactions in 2018/19 and the balances at 31 March 2019. In addition to the adjustments made to the main financial statements there are additional disclosures in Note G5.

2 Miocare Defined Benefit Pension Liability in Group financial statements

Dr: Financing & Investment Income & Expenditure	1,809			
Cr: Remeasurement of net defined benefit liability		1,809		

The Defined Benefit Pension Liability for Miocare Community Interest Company has been moved from Financing & Investment Income & Expenditure to Other Comprehensive Income in the Group Comprehensive Income & Expenditure Statement. This has not impacted on the overall financial results or the Group Balance Sheet

3 Group financial statements Income & Expenditure

Dr: Corporate & Commercial Services expenditure	3,451			
Cr: Corporate & Commercial Services income		3,451		

In consolidating Unity Partnership Ltd accounts into the Council's Group financial statements the Council has removed the expenditure it has incurred with Unity Partnership and removed the income earned by Unity Partnership that has come from the Council, as these are intra-Group transactions. The Council should only consolidate the transactions from the date it purchased the Unity Partnership, i.e. 2nd July 2019, but the consolidation removed the full year income and expenditure from the Group financial statements. The adjustment made to the draft financial statements corrects this so that they include the Unity income and Council expenditure from 2nd July 2019. This has not impacted on the overall Group Net Cost of Services, the wider Group financial results or the Group Balance Sheet.

5. SUMMARY OF AUDIT ADJUSTMENTS (CONTINUED)

Adjusted audit differences 2018/19 (continued)

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4 Goodwill arising from the purchase of Unity Partnership Limited in Group financial statements				
Dr: Negative Goodwill	824			
Cr: Unusable Reserves – Capital Adjustment Account				824
Dr: Financing and Investment Income & Expenditure	5,206			
Cr: General Fund				3,706
Cr: Long Term Investment				1,500

The negative goodwill the Council calculated from its purchase of Unity Partnership Limited has been adjusted to reflect the company Defined Benefit Pension Liability. This has adjusted the £824,000 negative goodwill into actual goodwill in the year of £5,206,000. This has been included within the Financing & Investment Income & Expenditure and the General Fund in the Group financial statements. This reflects the requirements of accounting standard IFRS3 on Business Combinations.

5 Opening balance of Council PPE Under Construction

Dr: Capital Adjustment Account (balance at 1/4/18)			432	
Cr: Property, Plant & Equipment (balance at 1/4/18)				432

The Council identified that £432k of its opening Property, Plant & Equipment (PPE) 'Under Construction' balance related to expenditure on academy schools and not Council assets, and should not be included in the Council's PPE. The Council have correctly removed this balance, restating the opening balance in Note 17 under PPE Under Construction. This adjustment does not impact on the Council Comprehensive Income & Expenditure Statement.

5. SUMMARY OF AUDIT ADJUSTMENTS (CONTINUED)

Adjusted audit differences 2018/19 (continued)

Disclosure adjustments

In addition to the adjustments outlined above, the Council has made a number of amendments to the disclosures in the financial statements.

Among these adjustment were contextual or presentational adjustments made to:

- Remove an expenditure disclosure from Grant Income Credited to Services in Note 5 – this was originally included to provide additional clarity in the disclosure, but the item was not grant income;
- Include a non-audit fee item in the External Audit Costs in Note 10;
- Include an additional disclosure in the Related Party Transactions in Note 13;
- Adjust some of the disclosure entries of Financial Instruments in Note 21; and
- Amend a disclosure entry in the Defined Benefit Pension Liability in Note 30.



6. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

We are required to form a conclusion as to 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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making;
- Sustainable resource deployment; and
- Working with partners and other third parties.

A summary of the work we have undertaken is provided below:



Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk relating to the financial sustainability of the Council in the medium term.

Since issuing our Audit Strategy Memorandum the Council has undergone an Ofsted inspection of its Children's Social Care Services. The inspection report was issued on 4 March 2019, and concluded that the overall effectiveness of services requires improvement in order to be good. This is the same overall conclusion as the previous inspection in 2015. The report notes some improvements since the previous inspection, and concludes that children in need of immediate protection receive services that keep them safe. We have considered whether the Ofsted inspection findings indicate a significant Value for Money risk, and have concluded that it does not. In considering this we have read the Ofsted report and discussed the Council's response with officers.

The work we carried out in relation to the significant risk is outlined overleaf.



6. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risk

Risk	Work undertaken and findings	Conclusion
<p>Financial sustainability</p> <p>The Council's medium term financial strategy for the period 2018/19 to 2021/22 sets out the financial challenges it faced, highlighting a £33m budget gap by 2021/22 to achieve a balanced budget. The Council used reserves to balance the 2018/19 budget and in-year projections indicated an overspend in service budgets, in particular Children's Social Care (at £4m). This was offset by projected underspends in capital financing, increased treasury management income and additional grants. The continuing challenges the Council faced are not new and are not unique to Oldham Council. However, the challenges present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financially sustainability over the medium term.</p>	<p>Work undertaken</p> <p>We reviewed the arrangements the Council had in place throughout 2018/19 for ensuring financial resilience. Specifically we reviewed whether the medium term financial plan took into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. We also reviewed the arrangements in place to monitor progress delivering the budget and related savings plans.</p> <p>Findings</p> <p>The Council set robust and balanced budgets for 2018/19 and 2019/20, which, although utilising reserves, does not cause a material or significant reduction in those reserves through the two years, and those reserves have been held for the purpose of supporting the budgetary pressures. However the use of reserves to support revenue budgets in the longer term is not sustainable, and the Council will need to ensure that its longer term financial sustainability does not deplete its reserves to unsustainably low levels.</p> <p>The Council's monitoring of its 2018/19 budget has been through detailed 'officer-led' monthly monitoring, with quarterly reporting to Council members in the Cabinet. The reporting provides a timely and detailed report of the current position and the projected position at the year end.</p> <p>The review of the monitoring in year identifies that the Council undertakes a robust review and regular reporting, and has 'adequate arrangements' for delivering financial sustainability. Although there are significant demand-led overspends in Children's Services, these have been offset by underspends elsewhere in 2018/19 with the overall reported position being an underspend against budget of £849,000.</p>	<p>We conclude that for 2018/19 the Council has made proper arrangements to deliver financial sustainability in the medium term.</p>



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

To be provided to us on client headed note paper

[Client address]

[Date]

Dear [Name]

Oldham Metropolitan Borough Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Oldham Metropolitan Borough Council ('the Council') and its Group for the year ended 31 March 2019 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 2018/19 (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 and Group you determined it was necessary to contact in order to obtain audit evidence.

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

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

Accounting records

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

Accounting policies

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

[continued]

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council and Group 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.

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 and Group 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 and Group 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 and Group involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council and Group'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 and Group's related parties and all related party relationships and transactions of which I am aware.

[continued]

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

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.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in Appendix A.

Specific representations – Manchester Airport Long-Term Investment valuation

I confirm that with regards to the Council's valuation of its Long-Term Investment in Manchester Airport Group of £52.7m, I am satisfied that the assumptions of future growth for the Manchester Airport Group which underpin the valuation are reasonable and appropriate.

Yours faithfully

Anne Ryans
Director of Finance

APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Oldham Metropolitan Borough Council

Report on the financial statements

Opinion

We have audited the financial statements of Oldham Metropolitan Borough Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2019, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Council Housing Revenue Account Income and Expenditure Statement, the Council Statement of Movement in the Housing Revenue Account, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2019 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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DRAFT AUDITOR'S REPORT

Key audit matter	Our response and key observations
<p>Valuation of Property, Plant & Equipment</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle.</p> <p>The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially fairly stated fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value as the assets is materially different at the year end.</p> <p>Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing (EUV-SH). The Social Housing adjustment factor is prescribed in MHCLG guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Council's area they can use their more accurate local factor. There is a risk that the Council's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence.</p>	<p>In relation to the valuation of property, plant & equipment we have:</p> <ul style="list-style-type: none"> • Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the Council's programme of revaluations; • Considered whether the overall revaluation methodology used by the Council valuer is in line with industry practice, social housing statutory guidance, the CIPFA Code of Practice and the Council's accounting policies; • Critically assessed the appropriateness of the underlying data and the key assumptions used in the valuer's calculations; • Critically assessed the appropriateness of the social housing factor applied to the valuation of the Council Dwellings; • Assessed the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time; • Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; • Critically assessed the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially fairly stated; and • Tested a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements. <p>We have not identified any significant matters from our testing, and we have concluded that the Council's Property, Plant & Equipment is materially fairly stated.</p>

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DRAFT AUDITOR'S REPORT

Key audit matter	Our response and key observations
<p>Valuation of Defined Benefit Pension Liability</p> <p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2016.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.</p>	<p>In relation to the valuation of the Council's defined benefit pension liability we have:</p> <ul style="list-style-type: none"> • Critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson; • Liaised with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; • Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. <p>Our work is still to be completed. Our work to date has not identified any significant matters from our testing.</p>



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DRAFT AUDITOR'S REPORT

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures, and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Council	Group
Overall materiality	£9.9m	£10.0m
Basis for determining materiality	Materiality has been determined as approximately 1.7% of gross expenditure at the surplus/deficit on provision of services level	
Rationale for benchmark applied	Gross expenditure at the surplus/deficit on provision of services level was chosen as the appropriate benchmark as this is a key measure of financial performance for the Council and for users of the financial statements	
Performance materiality	£5.994m	£6.0m
Reporting threshold	£0.299m	£0.3m

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the Director of Finance made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the Council and the sector in which it operates. We considered the risk of acts by the Council which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Council's accounting processes and controls and its environment, and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to:

- obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by irregularities including fraud or error;
- review of minutes of Council meetings in the year; and
- enquiries of management.

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DRAFT AUDITOR'S REPORT

As a result of our procedures, we did not identify any key audit matters relating to irregularities, including fraud.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both Those Charged with Governance and management. 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.

Our approach to auditing the group was based on our understanding of the group structure and an assessment of the significance of individual components to the group financial statements. In summary:

- Full scope audit procedures were carried out on the Council which represents 99.4% of the Group's total assets, 98.0% of the Group's total liabilities, 99.7% of the Group's income and 95.7% of the Group's expenditure.
- Analytical procedures were performed on Unity Partnership Limited and Miocare Group Community Interest Company which were non-significant components included in the Group financial statements.

We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under 'Key audit matters' within this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the 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 2018/19, 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.

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DRAFT AUDITOR'S REPORT

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Oldham Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Oldham Metropolitan Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

APPENDIX B

DRAFT AUDITOR'S REPORT

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Other matters which we are required to address

We were appointed as the Council's auditor by Public Sector Audit Appointments Ltd, in its role as appointing person under the Local Audit (Appointing Person) Regulations 2015, on 14 December 2017. The period of total uninterrupted engagement, including previous renewals and reappointments of the firm, is one year covering the audit of the financial year ending 31 March 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Council or its Group and we remain independent of the Council and its Group in conducting our audit.

In addition to the audit, we provided the following services to the Council during the period 1 April 2018 to 31 March 2019, that have not been disclosed separately in the Statement of Accounts:

- Assurance services on the Homes England Compliance Audit for the Supported Housing for Adults with a learning disability and complex needs.

Our audit opinion is consistent with the additional report to the Audit Committee.

APPENDIX B

DRAFT AUDITOR'S REPORT

Use of the audit report

This report is made solely to the members of Oldham Metropolitan Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Karen Murray
For and on behalf of Mazars LLP

One St Peter's Square
Manchester
M2 3DE

TBC June 2019

APPENDIX C

INDEPENDENCE AND FEES

Auditor 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. In particular there are no independence threats from our non-audit work disclosed below.

We also confirm that we have received confirmation from our external experts regarding their independence.

Audit & non-audit fees

We reported our expected audit fees in our Audit Strategy Memorandum. Below we report the audit and non-audit fees at this, our Audit Completion phase. We confirm that we have completed one non-audit engagement at the Council which was not reported in our Audit Strategy Memorandum as reported in the table below.

Audit fees	2018/19 (actual)	2018/19 (planned)
Oldham Council – audit of the Council and Group financial statements	£104,428	£104,428
Total audit fees	£104,428	£104,428

Non-audit fees	2018/19 (actual)	2018/19 (planned)
Oldham Council – Homes England compliance audit (Supported Housing for Adults with a learning disability and complex needs)	£1,000	-
Total non-audit fees	£1,000	-

Services provided to other entities within the Council's group

We have not been engaged by any of the Council's group entities to provide any audit, or non-audit, services in 2018/19.

CONTACT

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