

The Annual Audit Letter for Oldham Metropolitan Borough Council

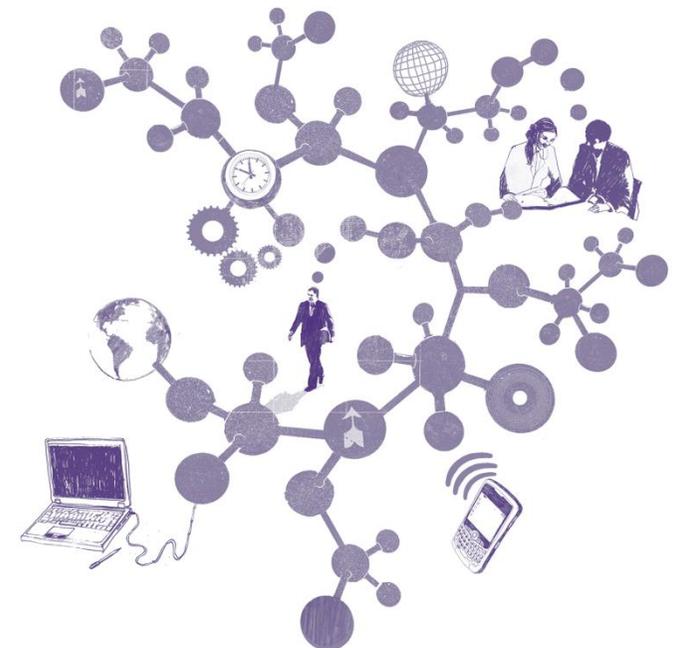
Year ended 31 March 2017

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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