

***AUDIT COMMITTEE
Regulatory Committee
Agenda***

Date	Tuesday 31 October 2023
Time	6.00 pm
Venue	Crompton Suite, Civic Centre, Oldham, West Street, Oldham, OL1 1NL
Notes	<p>1. DECLARATIONS OF INTEREST- If a Member requires advice on any item involving a possible declaration of interest which could affect his/her ability to speak and/or vote he/she is advised to contact Paul Entwistle or at least 24 hours in advance of the meeting.</p> <p>2. CONTACT OFFICER for this agenda is Tel. 0161 770 5151 or email constitutional.services@oldham.gov.uk</p> <p>3. PUBLIC QUESTIONS - Any member of the public wishing to ask a question at the above meeting can do so only if a written copy of the question is submitted to the contact officer by 12 noon, Thursday, 26 October 2023.</p> <p>MEMBERSHIP OF THE AUDIT COMMITTEE Councillors Akhtar, Al-Hamdani, Arnott, S. Bashforth, Birch, Davis, Ghafoor, Salamat and Sykes Independent Members: Grenville Page</p>

Item No	
6	Update on External Audit Matters (Pages 1 - 42) Report to Follow.



Oldham
Council

Report to Audit Committee

Update on External Audit Matters

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

Officer Contact: Anne Ryans, Director of Finance

Report Author: Anne Ryans, Director of Finance

31 October 2023

Purpose of Report

Attached to this report at Appendix 1, is a report produced by the Council's External Auditor, Mazars LLP, which sets out the Draft Audit Completion Report for the year ending 31 March 2023.

Executive Summary

The External Auditor has provided a report which sets out progress to date on the audit of the 2022/23 Statement of Accounts. This is presented in the format of a Draft Audit Completion Report and highlights that there is still some work to be finalised before the audit of the 2022/23 accounts can be completed.

As the reports advises, there remains only a limited number of areas that still require finalising and the work completed so far does not highlight any major areas for concern.

The report will be presented by the External Auditor.

This aligns to the Audit Committee's Terms of Reference which state that:

4.4.2 The Audit Committee shall, having regard to the CIPFA 'audit committee' Guidance. In this regard it will:

b) be responsible for oversight of the Council's relationship with the External Auditor, including consideration of (iii) relevant reports issued by the External Auditor

Recommendation

That Members of the Audit Committee note the Draft Audit Completion Report provided by the External Auditor.

Audit Completion Report - Draft

Oldham Metropolitan Borough Council –
Year ended 31 March 2023

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October 2023



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Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Audit Committee
Oldham Metropolitan Borough Council
Civic Centre
West Street
Oldham
OL1 1UT

31 October 2023

Dear Committee Members

Draft Audit Completion Report – Year ended 31 March 2023

We are pleased to present our draft Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 20 July 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 985 324.

Yours faithfully

Daniel Watson

Mazars LLP

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

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Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- Valuation of Land & Buildings
- Valuation of Investment Property
- Valuation of the Defined Benefit Pension Liability

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out the identified audit misstatements.

Status and audit opinion

We are well progressed with the audit with only small number of areas to complete.

At the time of preparing this report, matters remaining outstanding as outlined in section 2. Once the audit of these items are completed, we will provide a follow up letter to you setting out the outcomes of these remaining areas.

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



Audit opinion

Based on the work completed we would anticipate issuing an unqualified opinion, without modification, on the financial statements.



Value for Money

We have not yet finalised our value for money arrangements work and will report our findings in our Auditor's Annual Report later in the year. On the basis of the work completed to date we do not anticipate having significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our value for money arrangements work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We anticipate finalising our work on the Council's WGA submission, in line with the group instructions issued by the NAO. We have not yet received details of the sampled authorities selected by the NAO for detailed audit review. We are unable to commence our work in this area until the sample has been received.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have not received any such questions or objections during 2022/23.

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Section 02:


Status of the audit


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2. Status of the audit

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

Audit area	Status	Description of the outstanding matters
Investment Properties		We are completing our work on the review of the valuation of the Council's share of land at Manchester Airport.
Property, Plant and Equipment		We are working through the final responses on valuations.
Group financial statements		We have received the Council's financial statements and working papers for its consolidation of its group accounts. We are completing our audit work relating to those group financial statements.
Pensions		We are awaiting pension fund auditor assurance. In addition, the Council are obtaining an updated asset ceiling calculation. Further details are included in section 4 of this report.
Financial statements, Annual Governance Statement and letter of representation		We will complete our final review of the financial statements upon receipt of the signed version of the accounts and letter of representation.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.

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Section 03: **Audit approach**

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3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented to Audit Committee in July 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £14.4m for the Group financial statements and £14.3m for the Council single-entity statements using a benchmark of 2% of gross expenditure at the Surplus/Deficit at Net Cost of Services level. Our final assessment of materiality, based on the final financial statements and qualitative factors is £15.04m for the Group financial statements and £15.0m for the Council single-entity statements using the same benchmark.

Service organisations

We set out in our Audit Strategy Memorandum our approach to auditing the Council's service organisations. We confirm there have been no service organisations during the audit.

Use of experts

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

Item of account	Management's expert	Our expert
Defined benefit pension assets and liabilities	Hyman Robertson actuaries	PwC – NAO's consulting actuary
Valuation of Manchester Airport land	Colliers International Property Consultants Ltd	Mazars in-house valuation team
Valuation of shareholding in Manchester Airport Holding Limited	BDO LLP	Mazars in-house valuation team
Valuation of Financial Instruments	Arlingclose Ltd	We reviewed Link's methodology for providing the fair value disclosures. We engaged our valuation experts to consider the methodology for the fair value valuation of loans to the airport.

3. Audit approach



	Risk description	Risk of fraud	Risk of error	Management judgement	Key Audit Matter	Audit approach	Control observations	Identified misstatements	Overall conclusion
Page 12 Significant risks	Management override of controls	●				Substantive testing	-	-	No matters to bring to the Committee's attention.
	Valuation of Investment Property		●	●	●	Substantive testing	-		No matters to bring to the Committee's attention yet.
	Valuation of the defined benefit liability (Council and Group)		●	●	●	Substantive testing	-		No matters to bring to the Committee's attention yet.
	Valuation of property assets		●	●	●	Substantive testing	-		No matters to bring to the Committee's attention yet.
Key areas of management judgement and enhanced risks	Valuation of shareholding in Manchester Airport (Council)		●	●		Substantive testing	-		No matters to bring to the Committee's attention.

3. Audit approach





Group audit approach

The Council's consolidated group structure for 2022/23 includes one wholly owned subsidiary companies, Miocare Group Community Interest Company Ltd. In auditing the accounts of the Council's Group financial statements we obtained assurance over the transactions in the Group relating to the Council's subsidiary companies.

Our approach reflected the size and complexity of the transactions from the subsidiary companies that are consolidated into the Council's Group financial statements. Our approach is outlined below and we confirm there are no changes to the planned approach set out in our Audit Strategy Memorandum.

Group component	Approach adopted	Key points or other matters to report
Oldham MBC		The Mazars audit team undertook the full audit of the Council
Miocare CIC Ltd		The Mazars audit team undertook testing of Miocare's defined benefit pension liability and payroll expenditure, and carried out review procedures of the remaining consolidated accounting entries. The component materiality used for these procedures was £4.8m.

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-  **Full audit**
Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality
-  **Audit of balances and/or disclosures**
Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality
-  **Specific audit procedures**
Performance of specific audit procedures on the component's financial information
-  **Review procedures**
Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

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Section 04: **Significant findings**

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4. Significant findings

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

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 19 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

4. Significant findings

Key Audit Matters

Valuation of property, plant and equipment (Council)

Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the current value at that date. The Council has adopted a rolling revaluation model which sees all such property, plant & equipment 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. The Council employs a valuation expert to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved. 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 the current value at the balance sheet date. In addition, as the valuations are undertaken through the year there is a risk that the current value of the assets could be 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 government 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 this risk

Our audit procedures included:

- Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the Council's instructions to the valuer.
- Obtaining an understanding of the basis of valuation applied by the valuer in the year.
- Obtaining an understanding of the Council's approach to ensure that assets not subject to revaluation in 2022/23 are materially fairly stated.
- Obtaining an understanding of the Council's approach to ensure that assets revalued through 2022/23 are materially fairly stated at the year end.
- Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations.
- Using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2023.
- Testing the accuracy of how valuation movements were presented and disclosed in the financial statements

Audit conclusion

Based on the work carried out on the other elements of the Council's property, plant and equipment valuation to date there are no matters to bring to the Committee's attention. We will update the Committee on final outcomes in our follow up letter.

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4. Significant findings

Valuation of investment properties (Council)

Description of the risk

The CIPFA Code requires that where Investment Property assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The valuation of Investment Property 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. The Council employs valuation experts to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved.

How we addressed this risk

Our audit procedures will include:

- Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the Council's instructions to the valuer.
- Obtaining an understanding of the basis of valuation applied by the valuer in the year.
- Obtaining assurance on the appropriateness of the methodology and assumptions adopted by the Council's valuer.
- Comparing the valuation to our external valuation expert's estimate of the valuation.
- Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations.

Audit conclusion

As set out in section 2, we are finalising our review of the valuation of the Council's share of land at Manchester Airport. Based on the work completed to date there are no matters to report to the Audit Committee.

4. Significant findings

Valuation of Council's and the Group's defined benefit pension liability (Council and Group)

Description of the risk

The net pension liability represents a material element of the Council and the Group balance sheet. The Council and its consolidated subsidiaries are admitted bodies of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2022. 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 and the subsidiaries' overall valuations. There are financial assumptions and demographic assumptions used in the calculation of the valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's and the subsidiaries' 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 pension obligations are not reasonable or appropriate to the Council's or the subsidiaries' circumstances. This could have a material impact to the Council and Group net pension liability in 2022/23.

How we addressed this risk

Our procedures included:

- Obtaining an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary.
- Obtaining confirmation from the auditor of the Greater Manchester Pension Fund that the Pension Fund has designed and implemented controls to prevent and detect material misstatement. This includes the controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation of the gross asset and liability is complete and accurate.
- Evaluating and challenging the work performed by the Pension Fund auditor on the Pension Fund investment assets, and considering whether the outcomes would materially impact our consideration of the Council's share of Pension Fund assets.
- Reviewing the actuarial allocation of Pension Fund assets to the Council by the actuary, including comparing the Council's share of the assets to other corroborative information.
- Reviewing the appropriateness of the Pension Asset and Liability valuation methodology applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PwC, consulting actuary engaged by the National Audit Office.
- Agreeing the data in the IAS 19 valuation report provided by the Pension Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Audit conclusion

As set out in section 2, we are awaiting responses from the Pension Fund auditor from their audit work. In addition we have reviewed the pension asset ceiling calculation and identified an issue with the employer life assumption used in the calculation. The Council is obtaining a revised calculation and will consider the impact on the financial statements. Further information is included on page 19 of this report.

4. Significant findings

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 amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

We completed our procedures as planned. There are no matters to bring to the Committee’s attention in respect of our work on management override of controls.

4. Significant findings

Key areas of management judgement

Valuation of shareholding in Manchester Airport (Council)

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 2023. 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

Our approach to auditing the investment in Manchester Airport Holdings Limited includes the involvement of the Mazars in-house valuation team.

The Mazars in-house valuation team reviewed the methodology and key assumptions used by management’s expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.

Audit conclusion

Based on the work completed there are no matters to report to the Audit Committee.

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4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 31 May 2023 in line with agreed timescales. The accounts were of a good quality. Supporting working papers have been made available to support the audit process and these have assisted our audit progress. Council finance officers have responded to our detailed audit queries through the audit. We acknowledge the increased pressures the Council finance team have experienced through the year, as they continue to support the Council respond to the post-Covid-19 challenges with reduced resources. In addition, as highlighted through this report, the Council has faced a number of new complex accounting challenges in 2022/23, and this has further stretched the finance team's resources. The finance team have continued to work collaboratively with us, and we are grateful for the continued high priority the Council's team place on supporting the audit of the financial statements and completing the audit in as timely manner as possible.

Significant matters discussed with management

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

Accounting for pension assets

Each year the Council is required to obtain an actuarial valuation of its share of assets and liabilities held in Greater Manchester Pension Fund. Usually this results in a net pension liability being held on the Council's Balance Sheet. In 2022/23, the valuation has identified the Council has a net pension asset for the first time. There are specific accounting requirements which limit the value of the net asset to the 'asset ceiling'. As part of their valuation, the actuary provided a calculation of the asset ceiling. We have reviewed the asset ceiling calculation, and the assumptions which underpin this. The actuary assumed a future working life of the employer as being 6.3 years. In our view this should have been calculated over an indefinite period. The effect of this is to understate the value of the asset ceiling, and therefore the value of the net pension asset on the Council's Balance Sheet. The finance team are in the process of obtaining a revised asset ceiling calculation and will assess the impact of this on the Council's financial statements in due course. We will update the Audit Committee on the outcome as part of our follow-up letter.

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 2022/23 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.

05

Section 05: **Internal control recommendations**

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5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

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

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

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

5. Internal control recommendations

Significant deficiencies in internal control – Level 2

Description of deficiency

Testing of bank reconciliations identified a difference between the ledger and the bank statement of the Corporate Appointee bank account. This is because the reconciliation currently reconciles the general ledger to the adult social care system, rather than the Council's bank account.

Potential effects

Errors in the reconciliation may lead to misstatements within the Council ledger.

Recommendation

A monthly bank reconciliation is completed of the bank account with the ledger.

Management response

Other deficiencies in internal control – Level 2

Description of deficiency

The Council's process to identify related party transactions relies in part on member declarations of interest. In some cases the disclosures were based on declarations dating back to 2021. The process should use up-to-date information to ensure the disclosures are complete and accurate.

Potential effects

The related party disclosures could contain errors based on out of date declarations.

Recommendation

The council incorporates checks on declarations to ensure that they are up to date as part of the closedown process.

Management response

5. Internal control recommendations

Significant deficiencies in internal control – Level 3

Description of deficiency

Testing for existence and rights and obligations identified an asset that was disposed of, but not removed from the asset register. We note that the Council has begun a review of the asset register to remove disposed assets.

Potential effects

The asset register may contain assets that have been disposed of or the Council no longer has ownership

Recommendation

The Council should continue with the process to update the asset register to ensure that it correctly reflects assets that are held and owned by the Council.

Management response

Other deficiencies in internal control – Level 3

Description of deficiency

Our testing noted that the iTrent system is double counting an element of shared cost AVCs. The Council has confirmed this is an ongoing issue.

Potential effects

The payroll reconciliations continue to generate errors as a result of this system issue.

Recommendation

The Council should continue to work with consultants to rectify the problem.

Management response

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Section 06:

Summary of misstatements

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6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £490k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

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

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Debtors			£2,430	
	Cr: Grant Income		£2,430		
Our sample testing of grant income identified an understatement of £42k. We have extrapolated the impact of this misstatement across the untested population to confirm this is not a material issue for the Council. The resulting extrapolated misstatement is £2,430k which is not material.					
2	Dr: Creditors			£858	
	Cr: Expenditure		£858		
Our sample testing of creditors identified an understatement of £1.4k. We have extrapolated the impact of this misstatement across the untested population to confirm this is not a material issue for the Council. The resulting extrapolated misstatement is £858k which is not material.					
Total unadjusted misstatements			£3,288	£3,288	

6. Summary of misstatements

Adjusted misstatements

There are no misstatements to report to date.

6. Summary of misstatements

Disclosure amendments

We identified the following adjustments during our audit that have been corrected by management:

- Lease disclosures (Note 13)
- Related Party Disclosures (Note 12)
- Recognising Schools (Note 15)
- Financial Instruments Revaluation Reserve (Note 16b)
- Cashflow
- Contingent Liabilities (Note 28)

07

Section 07: **Value for Money**

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7. Value for Money

Approach to Value for Money

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

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

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

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

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report.

Status of our work

We are in the process of completing our work in respect of the Council's arrangements for the year ended 31 March 2023. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our commentary on the Council's arrangements will be provided in our Auditor's Annual Report later in the year.

Risks of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported that we had not identified any risks of significant weaknesses in arrangements as part of our planning procedures. Since issuing our Audit Strategy Memorandum we have recently received the Council's updated assessment of its arrangements for 2022/23 and we will complete our detailed review of the arrangements in place.

Identified significant weaknesses in arrangements and recommendations for improvement

Based on the work completed to date we have not identified any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

[Date]

Dear Daniel,

Oldham Metropolitan Borough Council - audit for year ended 31 March 2022

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 2022 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 2021/22 (the Code)), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022 and applicable law.

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), as amended by the Code Update and applicable law

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

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.

Appendix A: Draft management representation letter

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no undisclosed contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Appendix A: Draft management representation letter

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix A: Draft management representation letter

Related party transactions

- I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.
- I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Future commitments

- I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

- I am not aware of any material contract variations, payment deductions or additional service charges in 2021/22 in relation to the Council and Group's PFI schemes that you have not been made aware of.

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.

Appendix A: Draft management representation letter

Other matters

- I confirm that the Council has carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.
- I confirm that the Council has carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.
- I confirm that the Council has carried out an assessment of the potential impact on the Council of the on-going global banking challenges, in particular whether there is any impact on the Council's ability to continue as a going concern and on the post balance sheet events disclosures. In this regard I confirm that our exposure with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation is not material.

Reinforced Autoclaved Aerated Concrete (RAAC)

- I can confirm we have carried out an assessment of the potential impact of Reinforced Autoclaved Aerated Concrete (RAAC) on the Council. Based on this there is no indication of a need for a material impairment of the Council's property, plant and equipment or investment property balances.

Going concern

- To the best of my knowledge there is nothing to indicate that the Council and the 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 the Appendix to this letter.

Yours faithfully

Anne Ryans

Director of Finance

Appendix B: Draft audit report

The audit report is to be issued on completion of the remaining audit areas.





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Appendix C: Independence



As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix D: Other communications

Other communication	Response
 <p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 <p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 40</p>  <p>Related parties</p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
 <p>Going concern</p>	<p>We have not identified any evidence to cause us to disagree with the Director of Finance that Oldham Metropolitan Borough Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

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

Daniel Watson

Mazars

One St Peter's Square

Manchester

M2 3DE

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

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