



Audit Completion Report to Audit Committee

Oldham Metropolitan Borough Council
Year ending 31 March 2020

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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.

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

9 November 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. 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 (ASM) which we presented to Audit Committee on 20 January 2020. Since we presented our ASM we have revised our consideration of significant risks as set out below.

- We identified in our ASM that there was a significant audit risk, and key audit matter, relating to the valuation of the Council's pension liability. We have subsequently identified that the significant audit risk and key audit matters applies to the Council's Group level and not just the Council single-entity financial statements, resulting in the pension liabilities of the Council's two wholly-owned consolidated subsidiary companies being considered significant risks.

Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. Other than the matter highlighted above, we have concluded that the original significant audit risks, key audit matters and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our sincere 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 07721 234043.

Yours faithfully

Karen Murray, Partner
Mazars LLP

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

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') and its Group for the year ended 31 March 2020, and forms the basis for discussion at the Audit Committee meeting on 21 July 2020.

The detailed scope of our work as your appointed auditor for 2019/20 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 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;
- Valuation of Property, Plant & Equipment (land and buildings including investment properties);
- Valuation of Defined Benefit Pension Liability; 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

Subject to the satisfactory completion of the remaining audit procedures, 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)

The timetable for the Council's WGA submission has recently been published by MHCLG, and NAO issued auditors with their group instructions in early November. We will complete the required work to the MHCLG timetable as soon as possible.


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 or objections relating to 2019/20.




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 2020. At the time of preparing this report the following matters remain outstanding. 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 area | Status | Description of outstanding matters |
|---|---|---|
| Signed final statements and signed Management Representation Letter |  | We will complete our final review of the financial statements to confirm all expected changes have been made, upon receipt of the signed version of the accounts and letter of representation |

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

Misstatements and internal control recommendations

Section 4 sets out the internal control recommendations that we make, together with an update on any prior year recommendations. Section 5 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements 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 concluded that the significant risk over the valuation of the Council's pension liability applied at the Council's Group level, and consequently we identified that the pension liability for The Unity Partnership Ltd and Miocare Community Interest Company were also significant risks to the Council's Group. As a result of this conclusion, we concluded that both subsidiary companies were significant components to the Group. We have set out our audit approach to the Group on page 7.

There are no other significant changes to our approach to the Council or Group financial statements as communicated to the Council in our ASM in January 2020.

Materiality

We set materiality at the planning stage of the audit at £13.5 million for the Group financial statements and £13.4 million for the Council financial statements, using a benchmark of around 2% of gross expenditure at the Surplus/Deficit at Net Cost of Services level.

Our final assessment of materiality, based on the final 2019/20 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 £405k for the Group and £402k for the Council based on 3% of overall materiality.

| Materiality element | Group materiality | Council single-entity materiality |
|--|-------------------|-----------------------------------|
| Overall materiality | £13,500,000 | £13,400,000 |
| Performance materiality | £10,800,000 | £10,720,000 |
| Trivial threshold for reporting to Audit Committee | £405,000 | £402,000 |

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 misstatements 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 12) | £50,000 |

- Reflecting movement from one salary band to another

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 over the page. Further information on the findings are provided in section 3.



2. AUDIT APPROACH (CONTINUED)

Comprehensive Income & Expenditure Statement

| Account area | Material misstatement risk | Risk description | Key Audit Matter | Changes to audit approach | Control deficiencies | Significant audit findings |
|----------------------------------|----------------------------|------------------|------------------|---------------------------|----------------------|----------------------------|
| Net Cost of Services | Standard | - | No | None | ● | Adjustments made |
| Other Operating Expenditure | Standard | - | No | None | ● | None |
| Financing & Investment I&E | Standard | - | No | None | ● | Adjustment made |
| Taxation and non-specific grants | Standard | - | No | None | ● | None |
| Other comprehensive I&E | Standard | - | No | None | ● | None |

Balance Sheet

| Account area | Material misstatement risk | Risk description | Key Audit Matter | Changes to audit approach | Control deficiencies | Significant audit findings |
|-------------------------------|----------------------------|--|------------------|---------------------------|----------------------|----------------------------|
| Property, plant and equipment | Significant | Valuation of Land, Buildings and Investment Property | Yes | None | ● | None |
| Long term investments | Enhanced | - | No | None | ● | None |
| Short term debtors | Standard | - | No | None | ● | None |
| Cash and cash equivalents | Standard | - | No | None | ● | None |
| Short term creditors | Standard | - | No | None | ● | None |
| Borrowings | Standard | - | No | None | ● | None |
| Provisions | Standard | - | No | None | ● | None |
| Pension Liabilities | Significant | Valuation risk | Yes | Yes | ● | Adjustments made |
| Reserves | Standard | - | No | None | ● | Adjustments made |

Key for Control Deficiencies

- High-priority control deficiency noted
- Medium-priority control deficiency noted
- Low-priority control deficiency noted
- No control deficiency noted / not evaluated

Executive summary

Audit approach

Significant findings

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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 2019/20 includes two wholly owned subsidiary companies, Miocare Group Community Interest Company and The Unity Partnership Limited.

Our Audit Strategy Memorandum provided details of our intended group audit approach. As highlighted earlier in this report we confirm that we have updated our approach and concluded that the significant risk over the valuation of the Council's pension liability applies also to the pension liability for The Unity Partnership Ltd and Miocare Community Interest Company which are consolidated into the Council's Group financial statements. As a result of this conclusion, we concluded that both subsidiary companies were significant components to the Group.

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

| Entity | Nature of entity audit | Auditor | Description of 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 | We undertook specific audit procedures relating to the company's net pension liability as reported in the Group financial statements. We also undertook desktop group analytical procedures on the financial information prepared for group reporting purposes using component materiality | Yes |
| The Unity Partnerships Ltd (subsidiary) | Statutory audit | Mazars LLP | We undertook specific audit procedures relating to the company's net pension liability as reported in the Group financial statements. We also undertook desktop group analytical procedures on the financial information prepared for group reporting purposes using component materiality | Yes |

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.

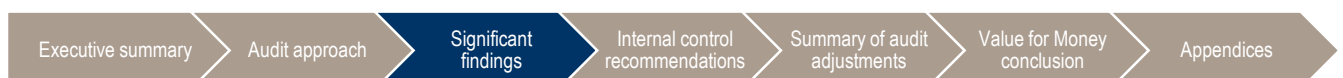


3. SIGNIFICANT FINDINGS

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;
- any further significant matters discussed with management; 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. Although no new significant risks or key audit matters have been identified we have reported earlier in the report that we concluded that the significant risk and key audit matter relating to the valuation of the Pension Liability related to the Council's two subsidiaries as well as the Council.



3. SIGNIFICANT FINDINGS (CONTINUED)

Key audit matters

Valuation of Land & Buildings and Investment Property (Council)

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 correct 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:

- Obtained an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the instructions to the valuer from the Council;
- Obtained an understanding of the basis of valuation applied by the valuer in the year;
- Obtained an understanding of the Council's approach to ensure that assets not subject to revaluation in 2019/20 are materially fairly stated;
- Obtained an understanding of the Council's approach to ensure that assets revalued through 2019/20 are materially fairly stated at the year end;
- Sample tested the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations;
- Used relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2020;
- Compared the investment property valuation to our external valuation expert's estimate of the valuation;
- Obtained an understanding of the valuer's consideration of RICS guidance on material uncertainty relating to valuations, and considering whether there was evidence of material uncertainty; and
- Tested the accuracy of how valuation movements were presented and disclosed in the financial statements. Testing a sample of items of capital expenditure in 2019/20 to confirm that the additions are appropriately valued in the financial statements.

Audit conclusion

Our work is complete and our audit procedures provided the planned assurance relating to the valuation of land & buildings and investment properties.

3. SIGNIFICANT FINDINGS (CONTINUED)

Valuation of Defined Benefit Pension Liability (Council & Group)

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 2019. 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 2019/20.

In addition our work focused on two issues that emerged through 2020. In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' case, an estimate of which was included in the Council's liability in 2019/20. The proposed remedy indicates that the actuarial estimate of the liability for 2019/20 was likely to be overstating the pension fund liability but not materially. A second emerging issue this year is the 'Goodwin' case which also relates to groups of pension fund members suffering discrimination. Although the impact of 'Goodwin' is still being clarified the Council's actuary have provided evidence to support their assessment of the impact on the Council's liability. They conclude that the impact is not likely to be material. In both issues, we engaged with the Council's actuary and reviewed the evidence provided by the pension fund and the Council's actuary in order to conclude on the material accuracy of the liability.

How we addressed the key audit matter

We have:

- Obtained an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary from the Council;
- Obtained confirmation from the auditor of the Greater Manchester Pension Fund that the controls in place at the Pension Fund are operating effectively. This included 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;
- Reviewed a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluating whether the outcome of their work would affect our consideration of the council's share of Pension Fund assets. The Pension Fund auditor work included comparing the asset values used for the actuarial valuation to those subjected to audit by the Pension Fund auditor;
- Reviewed 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;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuations for the Council and the two subsidiary companies. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and
- Agreed the data in the IAS 19 valuation reports for the Council and the two subsidiary companies provided by the actuary for accounting purposes to the pension accounting entries and disclosures in the Council's and the Group's financial statements.

3. SIGNIFICANT FINDINGS (CONTINUED)

Significant risks (continued)

Valuation of Defined Benefit Pension Liability (Council & Group) (continued)

Audit conclusion

Our work is complete and our audit procedures provided the planned assurance relating to the valuation of the Council and the Group's defined benefit pension liability.

In concluding on this we note that the Council has included disclosure in Note 36 of the material uncertainty, disclosed in the Greater Manchester Pension Fund accounts, relating to the valuation of the Pension Fund property investment assets. The valuation of the Council's share of the Pension Fund property investment assets as disclosed in Note 29 is £37m. We have included reference to this disclosure in our audit report at Appendix B but highlight that our audit opinion is not modified in respect of this matter.

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; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

There are no matters arising from the areas of our work completed against this risk.

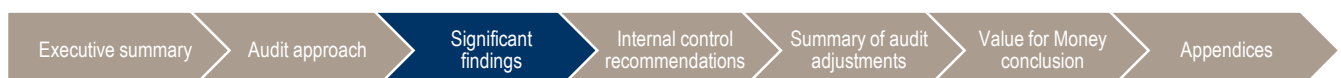
3. SIGNIFICANT FINDINGS (CONTINUED)

Area of management judgement

| Valuation of investment in Manchester Airport Holdings Limited | Description of the management judgement |
|--|---|
| | <p>The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited (MAHL) at 31 March 2020. The valuation is determined under IFRS13 applying a consistent methodology to previous and applying key assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements.</p> |
| | <p>How our audit addressed this area of management judgement</p> <p>Our approach to auditing the investment in Manchester Airport Holdings Limited included the involvement of the Mazars in-house valuation team.</p> <p>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.</p> <p>We reviewed the calculation of the valuation by the Council's external valuation expert in light of the update financial information available in July 2020 from the published MAHL financial statements for the year to 31 March 2020.</p> |
| | <p>Audit conclusion</p> <p>We have completed our procedures and there are no matters arising against the valuation of the Council's investment in MAHL.</p> |

Valuation methods

We are required by International Standard on Auditing 260 to report to the Audit Committee the methods of valuation the Council has adopted in its financial statements and whether there have been any changes in those valuation methods. We have set out in this section the valuation methods for the Property, Plant & Equipment, Investment Property, Long Term Investment in MAHL and the Pension Liability. There are no changes in the valuation methods from the previous year. The other balance sheet categories have been valued in accordance with the CIPFA Code of Practice on Local Authority Accounting and applicable International Financial Reporting Standards. There are no changes in those valuation methods from the previous year.



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 31 May 2020 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

The significant matters we discussed with management through the audit included:

- The impact of COVID-19 on the Council's financial statements, including potential impact on risks of material misstatement. We concluded that there were no additional risks of material misstatement in 2019/20.
- The valuation of the Council's land & buildings and investment property. The outcome of this work is reported earlier in the report.
- The valuation of the Council's investment in Manchester Airport Holdings Limited. The outcome of this work is reported earlier in the report.
- The accounting treatment of the Council's investment in the new Manchester Airport car park company. We Council has updated its disclosure of the classification of this investment to report that it has designated the investment at Fair Value through Other Comprehensive Income.
- The Council's actuary, Hymans Robertson's consideration of the impact of past legal cases on the Council's pension liability, details of which are set out earlier in this section.

The impact of the Covid-19 pandemic has had a significant impact on the Council, not only in relation to normal operating practices and service delivery, but also in terms of additional requirements for the distribution of business grants and rate relief. Whilst the financial impact on the Council is much more significant in the 2020/21 and future financial years, we have specifically considered the potential impact on the significant risks in relation to property valuations and the pension liability valuation, as outlined below and earlier in this report.

In addition our testing of income and expenditure around the year end, in order to conclude that they are recognised in the correct financial year has also considered the timing of the additional income the Council received from central government between March and July including the business support funds which flowed through the Council. We have not identified any material issues in relation to this testing, subject to the completion of the work outlined on page 4.

The Council's response to relevant legal cases which impact on the valuation of certain pension liabilities included as set out earlier in this section:

- The proposed remedy for the 'McCloud' case which is likely to have led to an overstatement of the original estimate of the Council's pension fund liability as at 31 March 2020; and
- The 'Goodwin' case, which emerged in 2019/20.

Based on the information provided by the Council's actuary, management do not expect the impact of either of these cases to be material and have not amended the draft financial statements for the impact of these issues.



3. SIGNIFICANT FINDINGS (CONTINUED)

Significant matters discussed with management (continued)

In addition, as a result of independent quality reviews of audit suppliers' work, in particular by the Financial Reporting Council, we have increased the level of work we carry out on defined benefit pension schemes and the valuation of property, plant and equipment. This and other issues emerging during the year have had an impact on the level of work and time required to complete the audit and we will discuss any fee variation request with management on completion of our audit work and update the Committee. All fee variation requests are subject to approval from PSAA.

Significant difficulties during the audit

The impact of the COVID-19 pandemic on the audit was significant. Although we have had the full co-operation of the financial team and Council management through the audit, the finance team's lack of access to hard copy records did cause them, and us, some difficulties particularly in relation to the supporting evidence for the valuation of land & buildings and investment properties. These issues are being resolved through the dedication and excellent support from the Council, but have delayed the audit significantly.

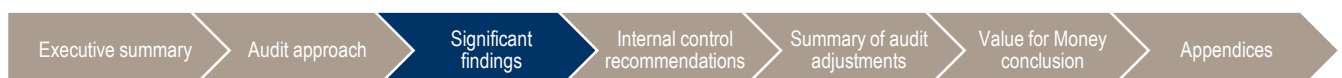
Wider responsibilities

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 2019/20 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. From our audit work carried out in 2019/20 we have not identified any internal control recommendations.

Follow up of previous internal control points

We have reviewed the Council's response to our recommendations raised in 2018/19 and report an update in the table below and overleaf.

2018/19 Recommendations

1. Process for identifying Related Party Transactions

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

2019/20 update

The Council has carried out an interrogation of its ledger for all the related parties disclosed by members and senior officers.

2. Corporate Information Security Policy

The Council should consider reviewing and updating its Corporate Information Security Policy.

2019/20 update

The Council has reviewed and updated the Corporate Information Security policy during the year.

3. IT Backup Policy

The Council should consider documenting a formal Backup Policy.

2019/20 update

Backup policy is in place and has been reviewed in the year.

4. IT Logical Access Policy

The Council should consider documenting a formal logical access policy.

2019/20 update

The Council as part of annual review, updated the IT Access Control Policy in the year.

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 £405k (Group) and £402k (Council).

Unadjusted audit differences 2019/20

The Council have adjusted all the audit differences identified as summarised in the table below.

Adjusted audit differences 2019/20

| | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|--|--|------------|---------------|------------|
| | Dr (£'000) | Cr (£'000) | Dr (£'000) | Cr (£'000) |
| 1 Changes to the Group pension liability | | | | |
| Dr: Group Pension Liability | | | 22,947 | |
| Cr: Group I&E Reserve | | | | 5,569 |
| Cr: Group Pension Reserve | | | | 17,379 |
| <i>The Council obtained updated actuarial reports for Miocare and The Unity Partnership as well as the Council itself. The Combined impact of the new reports were that the Group Pension Liability reduced by with the negative Group Pension Reserve also reducing by the same amount. This adjustment also impacts on the Group Movement in Reserves Statement and Group pension notes.</i> | | | | |
| 2 Changes to the Council's pension liability | | | | |
| Dr: Council Pension Liability | | | 17,379 | |
| Cr: Council Pension Reserve | | | | 17,379 |
| <i>The Council obtained an updated actuarial report and this reported that the level of pension liability had reduced by £17,379k. This has also reduced the negative Pension Reserve. This adjustment also impacts on the Movement in Reserves Statement and pension notes.</i> | | | | |
| 3 Changes to Council and Group Financing & Investment Expenditure | | | | |
| Dr: Commissioning Gross Expenditure | 831 | | | |
| Dr: Capital, Treasury & Technical Accg Gross Exp | 645 | | | |
| Cr: Financing & Investment Expenditure | | 1,476 | | |
| <i>The Council identified a miscoding of transactions in the ledger which were incorrectly identified as Financing & Investment Expenditure but should have been coded as a Cost of Service.</i> | | | | |

5. SUMMARY OF AUDIT ADJUSTMENTS (CONTINUED)

Disclosure amendments

In addition to the adjustments outlined on the previous page, 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:

- Amend the analysis of income in Note 2 and Note 5;
- Amend some of the disclosure entries of Financial Instruments in Note 20 to reflect the correct categorisation and measurement of the Council's financial assets;
- Include non-adjusting post balance sheet events in Note 37;
- Include the Council's required Operating Lease disclosures where it is the lessor in Note 38; and
- Include disclosure of the Group External Audit Fees at Note G5.

6. VALUE FOR MONEY CONCLUSION

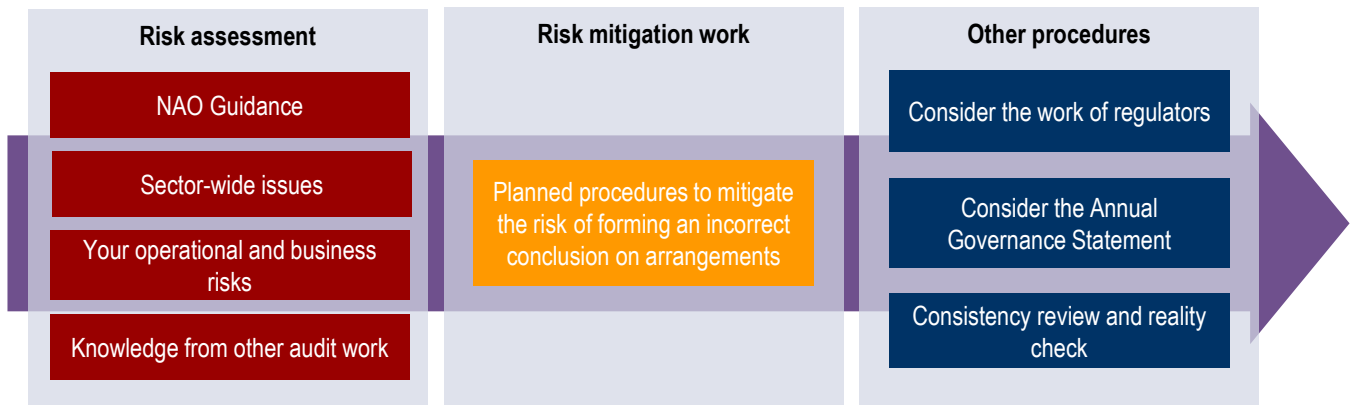
Our approach to the Value for Money conclusion

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
- Working with partners and other third parties

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



Significant Value for Money conclusion risks

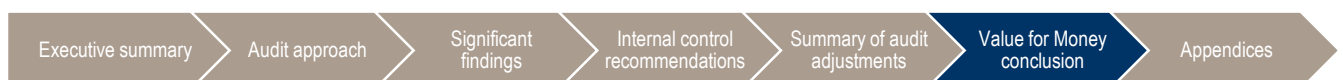
The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. 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 COVID-19 pandemic has impacted significantly on the Council operationally and financially. We have considered the impact of COVID-19 on the significant risk for our Value for Money conclusion. In doing this we have considered the Council's arrangements in place up to the 31 March 2020, and we are satisfied that there are no new significant risks to our Value for Money conclusion for 2019/20 arising from COVID-19.

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

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.



6. VALUE FOR MONEY CONCLUSION (CONTINUED)

| Risk | Work undertaken and findings | Conclusion |
|--|--|--|
| <p>Financial sustainability</p> <p>The Council's medium term financial strategy for the period 2019/20 to 2023/24 sets out the financial challenges it faces, highlighting a significant financial gap by 2023/24 to achieve a balanced budget. The Council has used reserves to balance previous years' budgets. In-year projections indicate an overspend in service budgets, in particular Education and Early Years. This is offset by projected underspends in capital financing, increased treasury management income and additional grants. The continuing challenges the Council faces are not new and are not unique to Oldham Council. However, the challenges do 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 2019/20 for ensuring financial resilience.</p> <p>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. In addition to considered the Council's arrangements in place in 2019/20 in the context of the emerging impact of the COVID-19 pandemic.</p> <p>Findings</p> <p>The Council set balanced budgets for 2019/20 and 2020/21. The budget for 2019/20 was set with assumptions of significant levels of budget reductions from the standstill position in the previous year (£7.8m) and utilising significant levels of earmarked reserves (£8.8m). The outturn reported results for the year show a small underspend against the budget (£0.2m) but this is after the Council received £7.6m of central government funding for the impact of COVID-19 in late March 2020 – funding which will be predominantly spent during 2020/21. This enabled the Council to not have to rely on utilising reserves in 2019/20 to support the spending, and this has meant the General Fund balance is £15m and Revenue Earmarked Reserves are £79m as at 31 March 2020.</p> <p>The Council's monitoring of its 2019/20 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. The review of the monitoring in year identifies that the Council undertakes a robust review and regular reporting. The in year monitoring has been largely accurate and has predicted the level of overspending through the year, enabling timely mitigating decisions to be taken.</p> <p>(continued overleaf)</p> | <p>We conclude that for 2019/20 the Council has made proper arrangements to deliver financial sustainability in the medium term.</p> |

6. VALUE FOR MONEY CONCLUSION (CONTINUED)

| Risk | Work undertaken and findings | Conclusion |
|---|--|------------|
| Financial sustainability (continued) | <p>Findings (continued)</p> <p>The financial position for 2020/21 is significantly more challenging. The Council agreed its budget for 2020/21 before the COVID-19 pandemic. That pre-COVID-19 budget assumed budget reductions from the standstill position in 2019/20 of £1.7m, identified a further requirement for £18.1m of savings of which £3m were specifically approved, assumed that £10m of the £18.1m would be funded through the Council's earmarked reserves, with the remaining £5.1m planned to be funded from other one off measures. Even before the impact of COVID-19 on the Council's financial position, the 2020/21 budget presented a significant challenge to the Council's long term financial sustainability.</p> <p>The Council is continuing to refine its assessment of the impact of COVID-19 on 2020/21 and future years. What is certain is that there are significant additional cost pressures, particularly in delivering Adult & Children's Social Care, and significant levels of lost income. The lost income relates to fees and charges, income from the Council's investments including that in the Manchester Airport Group and the impact on the Collection Fund. The Council has continued to respond to the government's request for increasingly detailed financial information in monthly returns, and according to the latest submitted return for June 2020, the Council reports:</p> <ul style="list-style-type: none"> the gross impact on the 2020/21 financial year is estimated to be £56.4m, although this reduces to £20.8m after taking into account notified government grants and the impact of reduced Council Tax and Business Rates income which will impact in 2021/22; the impact on 2021/22 financial year, particularly through the estimated losses on the Collection Fund arising from lower Council Tax and Business Rates receipts, is estimated to be £41m. <p>The Council has significant levels of earmarked reserves as at 31 March 2020, but these are not sufficient to sustain the Council's financial position over the medium term given the estimated impact. The Council has acknowledged that it needs to quickly make difficult strategic decisions, particularly relating to its capital programme and development plans for the borough. Ensuring the Council remains in a robust financial position is essential.</p> <p>At the time of setting the 2020/21 budget, the Council's medium term financial strategy also recognised that the transformation programme was expected to deliver savings across a range of areas. Whilst these savings plans were not yet fully identified, the importance of the transformation programme in supporting the longer term financial sustainability of the Council was recognised. The subsequent impact of the COVID-19 pandemic has understandably meant the Council's focus has turned to urgent service delivery and business continuity matters, but the delivery of the longer term transformational savings is still critical to delivering the medium term financial strategy.</p> | |

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

To be provided to us on client headed note paper

Date

Dear Karen

Oldham Metropolitan Borough Council - audit for year ended 31 March 2020

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 2020 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 2019/20 (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 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's financial position, financial performance and cash flows.

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONT.)

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.

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 (CONT.)

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.

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.

Covid-19

We confirm that we have 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.

Going concern

To the best of my knowledge there is nothing to indicate that the Council 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 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 2020, 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 Housing Revenue Account Income and Expenditure Statement, the 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 2019/20.

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 2020 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 2019/20.

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 or the Group'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.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Key audit matters

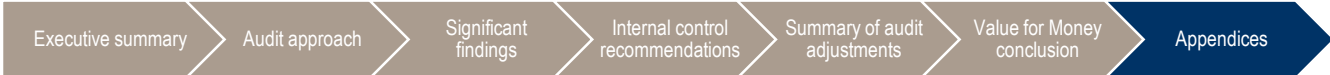
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which 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.

| Key audit matter | Our response and key observations |
|---|---|
| <p>Valuation of Council Property, Plant and Equipment</p> <p>Note 16 to the financial statements discloses information on the Council's holding of property, plant and equipment (PP&E) which includes £71.9m of Council Dwellings and £489.7m of Other Land & Buildings held at current value at 31 March 2020.</p> <p>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.</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>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.</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 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.</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>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the instructions to the valuer from the Council. 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 2019/20 are materially fairly stated. Obtaining an understanding of the Council's approach to ensure that assets revalued through 2019/20 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 2020. Obtaining an understanding of the valuer's consideration of RICS guidance on material uncertainty relating to valuations, and considering whether there was evidence of material uncertainty. Testing the accuracy of how valuation movements were presented and disclosed in the financial statements. Testing a sample of items of capital expenditure in 2019/20 to confirm that the additions are appropriately valued in the financial statements. <p>Key observations</p> <p>We obtained sufficient appropriate evidence to conclude that the valuation of land & buildings included in the financial statements is reasonable.</p> |

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

| Key audit matter | Our response and key observations |
|--|--|
| <p>Valuation of Investment Property <i>The Council's Balance Sheet discloses their Investment Properties to be valued at £20.0m at 31 March 2020.</i> 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.</p> | <p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the instructions to the valuer from the Council. • 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 used by the valuer as part of their valuations. <p>Key observations We obtained sufficient appropriate evidence to conclude that the valuation of investment properties included in the financial statements is reasonable.</p> |



APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

| Key audit matter | Our response and key observations |
|---|--|
| <p>Valuation of the Council's and the Group's Defined Benefit Pension Liability</p> <p>The Council's balance sheet discloses the Council pension liability to be valued at £324.8m at 31 March 2020.</p> <p>The Group Balance Sheet discloses the group pension liability to be valued at £332.5m at 31 March 2020.</p> <p>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 2019. 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.</p> <p>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 2019/20.</p> | <p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary from the Council. • Obtaining confirmation from the auditor of the Greater Manchester Pension Fund that the controls in place at the Pension Fund are operating effectively. This included 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. • Reviewing a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluating whether the outcome of their work would affect our consideration of the council's share of Pension Fund assets. The Pension Fund auditor work included comparing the asset values used for the actuarial valuation to those subjected to audit by the Pension Fund auditor. • 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 included 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 and Group's financial statements. <p>Key observations</p> <p>We obtained sufficient appropriate evidence to conclude that the valuation of the defined benefit pension liability included in the financial statements is reasonable.</p> <p>We draw attention to Note 36 of the financial statements, which discloses a material valuation uncertainty relating to the valuation of the Council's share of the Greater Manchester Pension Fund's property investment assets. Our opinion is not modified in respect of this matter.</p> |

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

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 | £13.4m | £13.5m |
| Basis for determining materiality | Materiality has been determined as approximately 2% 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 | £10.72m | £10.8m |
| Reporting threshold | £402m | £405m |

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 board meetings in the year; and
- enquiries of management.

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DRAFT AUDITOR'S REPORT (CONTINUED)

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 99.5% of the Group's total assets, 98.7% of the Group's total liabilities, 98.6% of the Group's income and 99.5% of the Group's expenditure.
- Specific audit procedures were carried on the Defined Benefit Pension Liability of The Unity Partnership Limited and Miocare Group Community Interest Company which represents 0.9% of the Group's total liabilities.
- Analytical procedures were performed on the remaining entries in The Unity Partnership Limited and Miocare Group Community Interest Company which were 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 2019/20, 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.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

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 April 2020, 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 2020.

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 April 2020, 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 2020.

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.

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APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

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 two years covering the audit of the financial years ending 31 March 2019 to 31 March 2020.

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

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

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
November 2020

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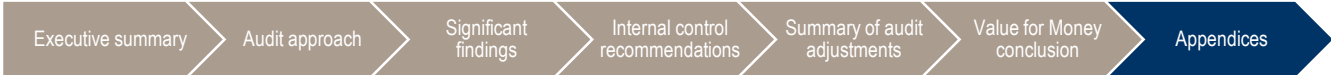
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APPENDIX C INDEPENDENCE

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.

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



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