



Oldham
Council

Report to Audit Committee

Mazars LLP Draft Audit Completion Report 2021/22

Portfolio Holder: Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and Low Carbon

Officer Contact: Anne Ryans - Director of Finance

Report Author: Lee Walsh – Finance Manager (Capital and Treasury)
Ext. 6608

28 March 2023

Reason for Decision

Following the 2021/22 Statement of Accounts audit, the Council's External Auditor, Mazars LLP, has prepared a draft Audit Completion Report (ACR). One recommendation has been made and in line with best practice principles, the Council has already implemented the recommendation for inclusion in the workplan for 2022/23 as part of the preparation of the Council's 2022/23 Statement of Accounts.

Executive Summary

Following the 2021/22 Statement of Accounts audit, the Council's External Auditor, Mazars LLP, has prepared a draft Audit Completion Report (ACR). The contents of the ACR are positive and can give Members assurance about the financial processes and practices adopted by the Council. The report sets out the Council's response to the recommendation highlighted in the Mazars LLP draft Audit Completion Report for 2021/22. There is only 1 recommendation (with a low priority ranking), relating to the insurance provision and the process of interpreting the Council's self-insurance valuations as provided by the Council's external expert.

Recommendations

It is recommended that the Audit Committee notes:

- a) The content of the draft Audit Completion Report and the positive nature of the commentary
- b) The response to the recommendation highlighted by the Council's External Auditor, Mazars LLP, in the draft Audit Completion Report
- c) How the Council has implemented the recommendation.

1. Background

- 1.1 Following the 2021/22 Statement of Accounts audit, the Council's External Auditor, Mazars LLP, has prepared a draft Audit Completion Report (ACR). The contents of the ACR are positive and can give Members assurance about the financial processes and practices adopted by the Council.
- 1.2 This report presents the Council's response to the single recommendation highlighted in the 2021/22 draft ACR.
- 1.3 The audit work identified a minor matter which has resulted in one low priority recommendation. The recommendation relates to the Council's insurance provision. In this regard, the Council obtains a report from an external expert to manage its self-insurance position. This report is used to determine the value of the insurance provision recognised in the accounts. However, the report is not produced for accounting and reporting purposes. The recommendation is that Council's finance team should be further involved in the self-insurance valuation process and ensure the insurance provision elements meets the definition of a provision.
- 1.4 Having regard to the issue identified, the Council has already addressed this issue in its work in preparation for the completion of the Statement of Accounts 2022/23. The Council has requested a more detailed valuation from the external expert and in addition has already, during the 2022/23 financial year, conducted a detailed review of the provisions held to ensure there is a clearer working paper for the 2022/23 Statement of Accounts.

2. Options/Alternatives

- 2.1 The options that Audit Committee Members might consider in relation to the contents of this report are to:
- a) note the positive nature of the draft Audit Completion Report and the Council's response to and implementation of the recommendation highlighted in the 2021/22 draft Audit Completion Report.
 - b) not to note the positive nature of the ACR and the Council's response to and implementation of the recommendation highlighted in the 2021/22 draft Audit Completion report, and to request an alternative approach.

3. Preferred Option

- 3.1 The preferred option is option a at paragraph 2.1 (a).

4. Consultation

- 4.1 Consultation has taken place with the Council's External Auditors, Mazars LLP.

5. Financial Implications

- 5.1 There are no specific financial implications associated with this report. However, the report sets out the response to the recommendation related to the audit of the 2021/22 Statement of Accounts.

6. **Legal Services Comments**

6.1 There are no Legal implications.

7. **Co-operative Agenda**

7.1 Improving the quality and timeliness of the financial information available to citizens of Oldham supports the cooperative ethos of the Council.

8. **Human Resources Comments**

8.1 There are no Human Resource implications.

9. **Risk Assessments**

9.1 It is important to note that the issue identified by the External Auditor has already been addressed and will thus minimise risk to the Council. This issue has a Low Priority categorisation but nonetheless, action has been incorporated into the work programme to take forward the response to the recommendation.

10. **IT Implications**

10.1 There are no IT implications included within this report.

11. **Property Implications**

11.1 There are no Property implications.

12. **Procurement Implications**

12.1 There are no Procurement implications.

13. **Environmental and Health & Safety Implications**

13.1 There are no Environmental and Health & Safety implications as a result of this report.

14. **Equality, community cohesion and crime implications**

14.1 There are no equality, community cohesion and crime implications.

15. **Equality Impact Assessment Completed?**

15.1 Not Applicable

16. **Key Decision**

16.1 No

17. **Key Decision Reference**

17.1 Not Applicable.

18. **Background Papers**

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

File Ref: Background papers are contained in Appendix 1
Officer Name: Lee Walsh
Contact: lee.walsh@oldham.gov.uk

19. **Appendices**

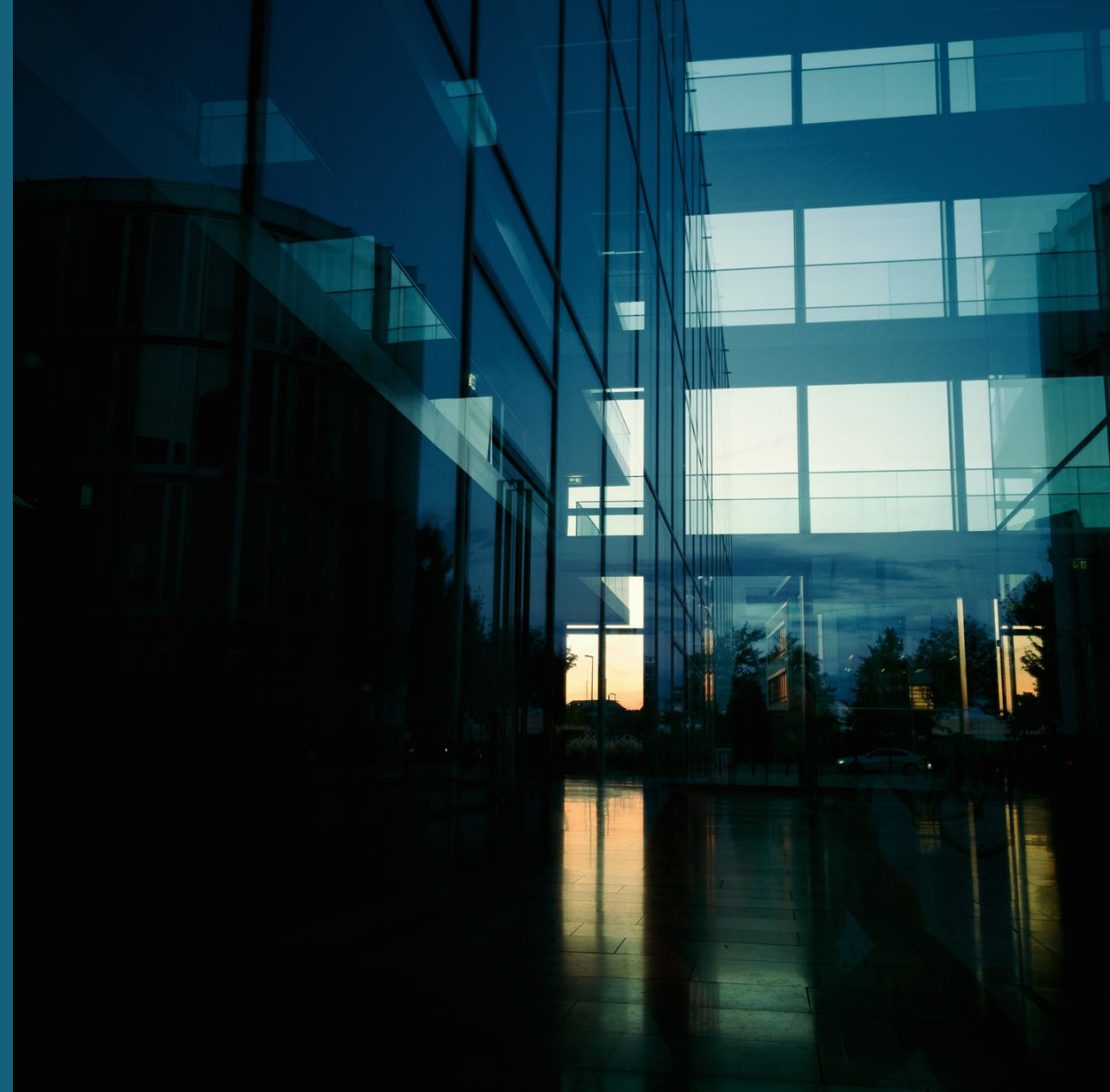
19.1 Appendix 1 - Mazars LLP draft Audit Completion Report

Appendix 1

Audit Completion Report

Oldham Metropolitan Borough Council –
Year ended 31 March 2022

March 2023



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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. 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

23 March 2023

Dear Committee Members

Draft Audit Completion Report – Year ended 31 March 2022

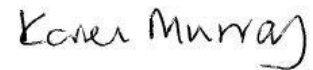
We are pleased to present our draft Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

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 16 March 2022. We have reviewed our Audit Strategy Memorandum and concluded 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 07721 234 043.

Yours faithfully



Karen Murray

Mazars LLP

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

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 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 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 have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022.

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 any further findings in a follow-up letter.

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. However we report in section 2, there is an outstanding issue in respect of the valuation of the defined benefit pension liabilities.



Value for Money

We have completed our value for money arrangements work. We have not reported any significant weaknesses in the arrangements 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)

For 2021/22, the threshold for completing detailed audit work on the Council's WGA return has increased to £2bn and the Council is below the revised threshold. However we anticipate the National Audit Office will select a sample of Councils where auditors will undertake detailed procedures. We are unable to commence our work in this area until we receive the list of sampled Councils.



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 new questions during 2021/22.

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02


Section 02:


Status of the audit


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
Pensions		The Pension Fund auditor has reported to us a timing difference between the value of assets used for the Council's actuarial report, and the value of assets in the post-audit Pension Fund financial statements. Using the Council's share of the Pension Fund as reported by the actuary, we consider this could be a material impact on the Council's and the Group's defined benefit liability. This is a matter that is being discussed with the Council.
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.



03

Section 03:

Audit approach

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 March 2022. 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 £13.6m for the Group financial statements and £13.5m 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 £14.4m for the Group financial statements and £14.3m 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 changes to those arrangements during the audit.

Items of account	Service organisation	Audit approach
Payroll, non-pay expenditure and other transactional items of account	The Unity Partnership Ltd	<p>We obtained assurance by understanding the controls the Council has in place to assure itself that transactions are processed materially correctly.</p> <p>Our testing included sample testing of transactions based on evidence available from the Council rather than the service organisation.</p>

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
Property, Plant and Equipment and Investment Property valuation	Unity Partnership Ltd	We used available third party information to challenge the key valuation assumptions
Valuation of Manchester Airport land	Jacobs 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	Link Asset Services	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

Group audit approach

The Council's consolidated group structure for 2021/22 includes two wholly owned subsidiary companies, Miocare Group Community Interest Company Ltd and The Unity Partnership 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.
Unity Partnerships Ltd	●	The Mazars audit team undertook testing of Unity Partnership'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.

- 
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



04

Section 04: **Significant findings**

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 the Council have adopted in the financial statements. On page 17 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 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 2021/22 are materially fairly stated.
- Obtaining an understanding of the Council's approach to ensure that assets revalued through 2021/22 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 2022.
- 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 Council's revaluation of property, plant and equipment there are no matters to bring to the Committee's attention.

Following the resolution of the sector-wide issue of accounting for infrastructure assets the Council carried out further work. As a result the Council has updated its accounting policy for infrastructure assets and updated the disclosures in respect of these assets. The Council calculated the difference in depreciation in 2021/22 to be £410k, and has not amended the balance for infrastructure assets as a result.



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

We have completed our work. There were no matters identified from the work 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 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.

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 2021/22.

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

During the course of the audit the Council received a revised valuation of its pension fund liability, which takes account of actual rather than estimated returns on assets at the year end. The impact of this revised valuation is a reduction in the Council's net pension liability of £15.5m to £280.7m. As this represents more up-to-date information, the Council has revised its accounts to include the updated valuations. The Council did not obtain updated reports for the two subsidiaries as the impact would have been immaterial. We have included our assessment of this in section 6.

As set out in section 2, we are awaiting the resolution of a potential material matter in the Council's defined benefit pension liability.

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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 2022. 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

As a result of audit questions, the Council’s external valuation expert revised their valuation methodology and provided the Council with a revised valuation report for 2021/22. The revised report reduced the valuation of the Council’s airport shareholding by £14.8m to £23.3m. This error in methodology applied to previous years as well as 2021/22 and the reduction in the valuation at 31 March 2021 was £14.3m. The Council has revised its draft financial statements and included disclosure of a prior period adjustment, reflecting the material value of the adjustment.



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 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council’s circumstances.

Draft accounts were received from the Council on 31 May 2022 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 2021/22, 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 infrastructure assets

The Council holds a material value of Infrastructure Assets within its Property, Plant and Equipment balance on the balance sheet. During 2021/22 a national technical issue arose in respect of accounting for infrastructure assets. Normal custom and practice for (highways) infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require assets to be properly depreciated in line with the requirements of the CIPFA Code. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

The Council carried out further work to update their accounting policy and determine the appropriate asset lives for infrastructure assets.

Meridian Ltd

The Council owns shares in Meridian Ltd. During 2021/22 the company purchased back the shares from the other shareholders, leaving the Council as the sole shareholder. The company is therefore now a wholly owned Council subsidiary. The Council consolidated Meridian Ltd into its draft group financial statements. Following audit queries and as a result of discussions with the Council finance team, the team obtained a fair value valuation of the company’s assets in order to comply with the requirements of the CIPFA Code. This fair value valuation resulted in the Council concluding the company was immaterial to its group, and as a result the draft accounts were updated to remove Meridian Ltd from the consolidated group financial statements. We have reviewed the Council’s assessment and conclusions and have no issues to report. The adjustments to remove Meridian from the group accounts are highlighted in section 6.

Saddleworth School

During 2021/22 the Council was donated the newly built Saddleworth School from the Department for Education. We discussed the Council’s accounting treatment of the transaction with the finance team and subjected this to detailed audit procedures. We are satisfied there are no issues arising from the Council’s accounting treatment of the transaction. However, the formal documentation the Council had obtained from DfE did not explicitly confirm there were no conditions applied to the transfer of the school. Follow up queries the Council made with DfE provided that confirmation.

Impact of the War in Ukraine

The ongoing situation in Ukraine has far-reaching consequences for public sector organisations. As part of our audit we have discussed with management the impact of the war on the Council’s operations, and whether any disclosures are required in the financial statements. We are satisfied there are no issues arising which would require specific disclosures in the financial statements.

Covid-19

We continue to discuss the impact of the Covid-19 pandemic on the Council’s operations and financial statements. In particular we focussed on the accounting treatment of grant income, and whether the Council accounts for these grants as a principal or agency relationship. We are satisfied there are no issues arising from the Council’s treatment of Covid related grants.



4. Significant findings

Significant matters discussed with management (continued)

Provisions

The Council has £10m of short-term provisions and £9.5m of long-term provisions. As part of our work, we discussed the Council's approach to identifying and accounting for provisions, and specifically the insurance provision. Although we concluded there are no material issues to report, we have reported an internal control recommendation in section 5 to help the Council improve its approach.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties, other than those reported above, and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2021/22 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 new questions in 2021/22 and we have not received any objections.



05

Section 05:

Internal control recommendations

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.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1



5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

The Council obtains a report from an expert in order to manage its self insurance position. This report is used to determine the amount of insurance provision recognised in the accounts. However the report is not produced for accounting and reporting purposes. Further work will be required by the finance team to consider whether the provisions recognised meet the definition of a provision.

Potential effects

There is a risk the Council recognises provisions which do not meet the definition of a provision in the CIPFA Code.

Recommendation

The Council finance team should be further involved in the self-insurance valuation process and ensure the insurance provision elements meets the definition of a provision or if not treated as a reserve.

Management response

For the 2022/23 self-insurance valuation, the Council has requested a more detailed valuation from the external expert. Also, during the 2022/23 financial year, the Council has conducted a detailed review of the provisions held to ensure there is a clearer working paper for the 2022/23 Statement of Accounts.



06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £429,000 (group threshold £432,000).

Adjusted misstatements – Council

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Net Pension Liability			15,471	
	Cr: Pension Reserve				15,471
<p>The actuarial valuation was initially based on estimated final quarter return on pension fund assets. Our analysis indicated this could be materially inaccurate so the Council obtained an updated report from their actuary. Based on the full year actual returns on assets the Pension Assets increased by £15.5m with a corresponding reduction in the negative pension reserve. This amendment also impacts on the Other Comprehensive Income in the CIES and the Group Balance Sheet.</p>					
2	Dr: Financial Instrument Revaluation Reserve			14,799	
	Cr: Long Term Investments				14,799
<p>The Council's valuation expert revised their value of the Council's shareholding in Manchester Airport Holdings Limited, reducing the value of the investment by £14.8m. This amendment also impacts on the reported 2020/21 valuation, reducing it by £14.3m, along with impacts on the Other Comprehensive Income in the CIES and disclosure notes. The corresponding adjustment reduces the unusable reserves.</p>					
Total adjusted misstatements		0	0	30,270	30,270

Adjusted misstatements – Group

As reported in section 4 of this report the Council has adjusted its group financial statements to remove its wholly owned subsidiary Meridian Ltd on the grounds of immateriality. The impact on the group financial statements is:

- Group CIES Deficit on Provision of Services increased by £56k
- Group CIES Total Comprehensive Expenditure increased by £0.3m
- Group Long Term Assets reduced by £4.1m
- Group Current Assets reduced by £0.7m
- Group Current Liabilities reduced by £0.3m
- Group Net Assets reduced by £4.5m.

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Unadjusted misstatements – Group

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Net Pension Liability			1,879	
	Cr: Group Reserves				1,879
<p>The actuarial valuation for Miocare CIC Ltd and Unity Partnerships Ltd was based on estimated final quarter return on pension fund assets. The Council's analysis indicated this would not be materially inaccurate so the Council did not obtain an updated report from their actuary. Based on our evaluation the possible impact on the Pension Assets of the two subsidiaries is £0.8m (Miocare) and £1.1m (Unity). This is above our audit adjustment threshold for the group and is reported here. This adjustment would reduce the Group Net Pension Liability with a corresponding reduction in the Group Reserves.</p>					
Total unadjusted misstatements		0	0	1,879	1,879

Disclosure amendments

During our audit we identified a small number of adjustments to the disclosures in the accounts. These have been adjusted by management and include:

- Lease disclosures (Note 14)
- Related Party Disclosures (Note 13)
- Classification of Minimum Revenue Provision as voluntary (Notes 15 and 17c)
- The disclosure of the fair value of loans made to Manchester Airport (Note 22)

The Council has not made one adjustment to the disclosures which is immaterial but above our trivial reporting threshold. Note 18 includes the disclosure of capital commitments, and while the Council's narrative states that there are no committed contracts of material value to disclose, there are £10m of contractual capital commitments at 31 March 2022. The Council intends to include the disclosure of contractual capital commitments in 2022/23 when these are expected to be material.



07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money arrangements work

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 so we can understand the arrangements that the Council

has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in 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 there are further risks of significant weaknesses. We did not identify any risks of significant weaknesses through our work on Value for Money arrangements.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement. There are no significant weaknesses to report.

The table below summarises the outcomes of our work against each reporting criteria. On the following pages we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	27-28	No	No
Governance	29-30	No	No
Improving economy, efficiency and effectiveness	31-32	No	No



7. Value for Money

Overall commentary on the Financial Sustainability reporting criteria

Background to financial sustainability in 2021/22

Since March 2020 local authorities have faced a period of unprecedented challenge, both financially and economically, as they respond to the impact of the global Covid-19 pandemic. The financial impact of the pandemic on the Council has been significant. During 2021/22 the Council has faced the additional costs, both for the new responsibilities it faced as a result of the pandemic and also the resulting loss of income arising from the national lockdowns and further restrictions. Some of the Government's initiatives to respond to the Covid-19 pandemic were supported by additional funding for the Council, and as in 2020/21, the Council received additional Government funding during 2021/22. The Council recognises this funding is one off in nature, and as such has continued to work to understand the longer-term impact of the pandemic and adapt its financial plans to take account of the financial scarring over the medium term.

As the Council looked towards 2022/23 and subsequent years, the financial challenges increased. In addition to dealing with the recovery from the Covid-19 pandemic, the war in Ukraine has had an adverse impact on the UK economy, resulting in increased energy costs, supply chain issues and significant other inflationary pressures. The subsequent increases in the cost of living required the Council to regularly reassess the impact in order to identify mitigations at the earliest opportunity.

The Council's financial planning and monitoring arrangements

In March 2021 the Council set a balanced budget for the 2021/22 financial year with a total net budget for Council services of £254.2m after applying expenditure pressures and budget reduction proposals. This required an increase in Council Tax of 2.99% (including 2% Adult Care precept). Throughout the year the Council regularly updated its budget forecast, enabling budgets to remain up-to-date in the uncertain operating environment. Within the original budget the Council identified a budget reduction (savings) requirement of £8.9m alongside a range of initiatives and measures to deliver these reductions.

The Council's financial planning and budgeting arrangements are well established and include a wide range of activities and consultations. The budget setting process includes engagement with senior Council officers and incorporates discussion about the delivery of statutory services/priorities and the impact on resources. Where additional resources are required these are scrutinised and challenged before they are included in the budget estimates. Workshops with officers and members are a key part of the budgeting arrangements, and these are detailed and extensive.

The Council reported its revenue outturn position for 2021/22 as an overall net underspend of £2.7m. During the year, the Council provided regular reports of its financial position to Cabinet between months 3 (June 2021) and 9 (December 2021). We have reviewed a sample of the reports presented for 2021/22. These reports were detailed and comprehensive and incorporate monitoring of the revenue budget, the capital programme and a wide range of other financial measures. The Council follows an established timetable for reporting to Cabinet which includes reporting to directorate management teams and the strategic management team.

The Council's arrangements for identifying, managing and monitoring funding gaps and savings

The Council produces a Medium Term Financial Strategy (MTFS) each year alongside its annual budget. The MTFS sets out the resources available to deliver the Council's overall commitment to provide services to meet the needs of people locally over a five year period.

A key part of the MTFS is to highlight the budget issues to be addressed by the Council in each of the years covered. It reflects the assumptions made to allow forecasting of the level of available resources from all sources, together with the budget pressures relating to both capital and revenue spending. It also assesses the adequacy of reserves held which may impact on the Council's resources.

The Council's budget setting process, which begins in the summer, is a detailed and comprehensive process. There is detailed consultation and discussion with officers and members on the assumptions and principles on which the budget is to be based. As part of the budget setting process, the Council explicitly identifies its budget reduction requirements for the following years through detailed consideration of the budgetary pressures, funding estimates, and impact of national and local initiatives and policies. A range of officer workshops are held to review proposals for budget reductions with each proposal supported by evidenced assessments of deliverability. Proposals are subject to consultation with staff, officers and members and are presented to meetings attended by Cabinet & Deputy Cabinet Members and senior officers, Overview & Scrutiny, and Cabinet before submission to, and approval at, Full Council. We reviewed a range of the budget preparation documents and meetings held as part of the budget setting process. Our review confirmed the documents were comprehensive and detailed and the workshops and meetings were timely and delivered the intended outcomes to assist with the budget preparation.

In setting the 2021/22 budget and MTFS, the budget reduction requirement for the period 2021/22 to 2023/24 was £96m. The Council planned to use £54.6m of reserves, and current budget reductions planned to deliver £10.8m. The remaining budget reduction requirement was £30.6m, of which £13.5m is required in 2022/23 and £17.1m in 2023/24. The budget reports for each year are clear on the means by which the savings will be delivered and clearly articulate the size of the challenge the Council faces in the medium term.

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Overall commentary on the Financial Sustainability reporting criteria - continued

Council's arrangements and approach to 2021/22 financial planning

The Council's arrangements for the 2022/23 budget setting process have largely followed the arrangements in place for 2021/22. The budget for 2022/23 was approved at the March 2022 Council meeting. The Council set a balanced budget with a total net budget for Council services of £260.6m. The budget included £11.4m of recurrent budget reductions and the use of £23.2m of reserves. The Council has received regular reports on the medium term financial plan, including the medium term impact of the use of reserves to underpin the balanced budget. The Council is that reserves are a finite resource and medium term financial sustainability cannot depend on using reserves indefinitely.

We have reviewed the supporting evidence relating to the preparation of the 2022/23 budget and these demonstrate the arrangements are consistent with the previous year, detailed and robust and properly applied.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability.



7. Value for Money

Overall commentary on the Governance reporting criteria

The Council's risk management and monitoring arrangements

The Council has a well established risk management system in place and embedded in the governance structure of the organisation. The Council last refreshed its Risk Management Strategy in 2019/20 and during 2020/21 this was implemented and integrated into the Council's agreed service planning arrangements. The Risk Management Strategy and Framework were refreshed in July 2021, with work undertaken to incorporate risk consideration and reporting into the business planning and performance management framework. The risk management arrangements incorporate service and directorate risk registers informed by detailed assessments of the key risks impacting on each area. These detailed registers inform the Council's corporate risk register which sets out the key strategic and corporate risks. The risk registers apply a risk score both before and after mitigation measures enabling the Council to manage the risks actively and take action where necessary. We have reviewed the risk management strategy along with examples of service risk registers and the corporate risk register. Our review confirms the strategy is clear and detailed, and the registers appear comprehensive, containing sufficient and appropriate detail for Council officers and members.

The Council reports its risk registers through its governance framework, culminating in regular reports to the Audit Committee. Our attendance at the Audit Committee meetings has confirmed the Committee understands its role in the risk management framework. It provides challenge to management on the risk registers and corresponding risks and mitigating actions.

The Council has a team of internal auditors, led by the Assistant Director of Corporate Governance and Strategic Financial Management, who provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. The annual Internal Audit plan is ordinarily agreed with management at the start of the financial year and is reviewed by the Audit Committee prior to final approval. The audit plan is based on an assessment of risks the Council faces. It is produced to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work is supplemented by ad hoc reviews in respect of suspected irregularities and other work to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2021/22 and 2022/23 and confirmed they are consistent with the risk based approach. The Council has comprehensive anti-fraud and corruption policies which are updated as required. In 2021/22 internal audit's plan continued to have a focus on anti-fraud work, both around Covid business grants and Council spend in areas assessed by internal audit and the Council as higher risk of fraud.

Internal Audit progress reports are presented to each Audit Committee meeting, including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an opinion based on the work completed during the year. For 2021/22 the Head of Internal Audit concluded that an adequate level of assurance could be given on the Council's overall framework of governance, risk management and control remains appropriate and has been complied with. Whilst this reflected the significant impact of the pandemic, the annual report highlighted the significant improvements had continued in key control areas.

Throughout the year we have attended all Audit Committee meetings. These meetings have received regular updates on both internal audit progress and risk management. Audit Committee members engage with the reports and challenge the papers and reports which they receive from management, internal audit and external audit.

Council arrangements for budget setting and budgetary control

The 2021/22 Budget Report was approved in March 2021, setting out the estimates of the financial challenge for the financial year 2021/22. During 2021/22, this was updated regularly and the likely financial position was reported to Cabinet. Monthly financial monitoring reports were prepared for 2021/22 which highlighted key issues which may impact on 2022/23, with the financial monitoring reports presented to senior managers, Members and then to Cabinet for approval. During the summer months of 2021, there were a series of officer and member workshops to consider the updated financial position and to agree budget reduction proposals for 2022/23. Services were required to prepare proposals for reductions to provide Members with a range of options. Members were engaged closely in discussions about the level of Council Tax increase and, through this engagement, the Council changed its initially planned approach and applied a 2% adult social care increase on top of the general increase in Council tax of 1.99%.

The Council has well established budget monitoring arrangements in place. The Finance service is configured to align to the Council's management portfolio structure. Members of the Finance Team are assigned to specific service areas and work closely with cost centre managers to review, discuss and agree the financial pressures/ issues impacting on specific service areas. At the end of each month, a Portfolio dashboard is prepared which contains all relevant financial information. Forecasts are produced for cost centres, service areas and the whole Portfolio. These are discussed and agreed with relevant Directors and managers.

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Overall commentary on the Governance reporting criteria - continued

Council arrangements for budget setting and budgetary control (continued)

There is a detailed budget monitoring timetable to which the Finance service works to ensure the timeliness of reports. Overall financial monitoring reports are prepared encompassing the whole Council position for both Capital and Revenue. During 2021/22, these budget monitoring reports were prepared for Cabinet for months 3, 6, 8 and 9.

Budget monitoring reports were also presented to the Performance and Value for Money Overview and Scrutiny Committee for consideration. The month 8 report was also presented as part of the budget reports considered by the Policy Overview and Scrutiny Committee in January 2022

Council decision making arrangements and control framework

The Council's decision making arrangements are established in the Council Constitution. Decisions are either made by members (Council, Cabinet, or other decision making committees) or delegated to Cabinet portfolio leads, or officers. The Council also has a range of overview and scrutiny committees to challenge, scrutinise and call in decisions made by the Cabinet. All Cabinet and Key Decision reports include Statutory Officer Comments and Risks, and an assessment of financial impacts and other key impact areas such as human resources, IT and property.

The Council operates an Audit Committee which has the appropriate status in the organisation to challenge management and obtain assurance on the operation of the internal control framework. The Committee has an agreed workplan and where necessary asks management to report on specific internal control issues. The Audit Committee met regularly throughout the year and routinely considered key reports on internal controls. During the year the Committee received a range of reports providing assurance, and commentary on the Council's arrangements. These reports covered a range of areas including emerging national sector issues or specific areas identified in other similar Councils.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance.



7. Value for Money

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

The Council's arrangements for assessing performance and evaluating service delivery

The Council prepares performance monitoring and financial monitoring reports which are presented to senior management, Cabinet and Overview & Scrutiny Committee. During 2021/22 despite the need to present financial information focussed on COVID related pressures, financial monitoring reports did provide information about financial pressures being experienced which highlighted new or increased service demand. These reports are also used to identify service delivery challenges, for example where increased costs are incurred to address service backlogs or underlying underperformance. Where such issues are highlighted through financial monitoring, the resources required as an investment to address this are identified.

The Council agrees and establishes a range of performance indicators for all directorates. These indicators are reviewed by services and reported initially to senior officers so issues requiring action are understood including additional investment. Prior to the start of 2021/22, there was a further review of Performance Indicators and some were reinstated for formal reporting, but others were retained from 2020/21 given the continuing impact of the pandemic on service delivery. During 2021/22, using the issues highlighted in the performance monitoring reports, Members instigated deep dives to gain a better understanding of the pressures and issues being faced, for example Children's Social Care and Digital Transformation.

Corporate performance reports are reported to senior management and members. During 2021/22, performance monitoring reports were prepared for the Performance Overview & Scrutiny Committee. We have reviewed a sample of these reports and this confirmed they clearly articulate the Council's performance and contain appropriate and detailed information.

The Council has a business planning process which requires detailed business plans to be agreed with respective Cabinet Members. Key performance indicators and measures then are encompassed within the corporate performance report. The Directorate plans are managed and monitored using a standard format.

At the end of 2020/21, a new business planning cycle was initiated aligned to the risk management framework. The preparation for the 2021/22 business planning programme took place during 2020/21 with business plans finalised forwards the end of 2020/21 for action in 2021/22. The business planning process was strengthened in 2020/21 (for delivery in 2021/22) to provide a sharper focus on benchmarking comparative performance and monitoring the recovery from the pandemic, and this has been reflected in the redesigned corporate performance report.

Further work was undertaken during 2021/22 to enhance the developments outlined above and further strengthen the performance monitoring process.

In addition to the corporate performance reporting, a range of internal performance/management dashboards are in place to assess performance and identify areas for improvement which are reported through relevant reporting mechanism. E.g. Oldham Safeguarding Children's Partnership dashboard. Similarly, a SEND partnership dashboard has been developed during 2021/22. The Council continues to review and evolve the provision of information with the objective of capturing the quality of service delivery. In 2021/22 it initiated reviews of its performance monitoring reports for Members, changing the style, reflecting comments about ease of understanding.

The Council's arrangements for effective partnership working

The Council monitors its delivery on key partnerships including an ongoing assessment of risk as set out in the Partnership Dashboard which reports regularly to the Audit Committee. This identifies both current issues and emerging issues, for example, where there are plans to set up new partnerships to deliver key future priorities. As at 31 March 2022 the assessment of risk on partnerships operated by the Council was reported as low. The Council's key partnerships include Oldham Clinical Commissioning Group (CCG) and its two wholly owned subsidiary companies, MioCare Community Interest Company and Unity Partnerships Ltd. During 2021/22 a review of the operating arrangement of Unity led to Cabinet deciding the Council would take over the services Unity supplied from 2022/23, and all staff would TUPE transfer to the Council.

The two Council owned companies both work closely with the Council as its significant customer. There are key governance arrangements in place within the Council to ensure efficient oversight of the companies including annual reports to Scrutiny Committees and the Council appointing Members to the company Boards.

During the financial year 2021/22 the Council worked closely with the CCG to manage services as required due to the pandemic. During the early part of 2021/22 a range of joint management responsibilities were in place within both organisations, but these reduced during the summer 2021.

The Council has a joint Commissioning Partnership Board on which the Leader and Cabinet Members for Adult Social Care represent the Council. This Board oversees the Council's pooled fund agreement with the NHS commissioner and receives financial performance reports relating to the arrangement.

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Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

The Council's arrangements for procurement and commissioning services

The Council's Constitution contains a chapter on the Contract Procedure Rules. This sets out the detailed process the Council must follow when procuring goods or services. We have reviewed the procedure rules and this confirms they are comprehensive and cover the procedures, the quotation and tender process, using frameworks, post tender evaluation and contract monitoring procedures.

The Council has an experienced Commercial Procurement Unit leading on procurement and commissioning. The team appoints 'Category Leads' who work closely with commissioners to develop the forward view pipeline over the medium term. This enables the Council to be able to plan its procurement and commissioning activities well in advance. We reviewed the pipeline and confirmed it was detailed and comprehensive and facilitated the Council's proactive management of its procurement over the medium term.

The category lead role includes working with commissioners to develop the specifications, identifying opportunities for possible collaboration or amalgamation of contracts, engaging with the market, developing KPIs, reviewing contract management information, maintaining an active dialogue with suppliers, and ensuring the contracts stay up to date through the contract period.

Where contract management information suggests contracts are not being delivered to the specification, the Council engages with suppliers to put in place improvements. Maintaining a routine dialogue with suppliers is crucial in managing the relationship and in ensuring disputes and disagreements are minimised or avoided.

The Council established the expected outcomes and benefits from procurement in a series of key performance indicators in each contract. These are tailored specifically to the specification of each contract and are actively monitored to ensure the benefits are being delivered. Regular dialogue between the category leads and the Council's commissioners and suppliers ensures the delivery benefits are up to date and remain appropriate through the contract, and any innovation or efficiencies identified is included in updated contract terms. We reviewed a sample of procurement monitoring reports and key performance indicators and confirmed they were detailed and appropriate.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.



Appendices

A: Independence

B: Other communications

Appendix A: 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 no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



Appendix B: Other communications

Other communication	Response
Compliance with Laws and Regulations	<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>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<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.
Going Concern	<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 B: 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> <ul 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: <ul 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.



Mazars

Karen Murray

Partner

Phone: 0161 238 9248

Mobile: 07721 234043

Email: karen.murray@mazars.co.uk

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.

*where permitted under applicable country laws.