

The Audit Findings for Oldham Metropolitan Borough Council

Year ended 31 March 2016

14 July 2016

Graham Nunns

Director

T 0113 200 2538

E graham.nunns@uk.gt.com

Marianne Dixon

Manager

T 0113 200 2699

M 07880 456157

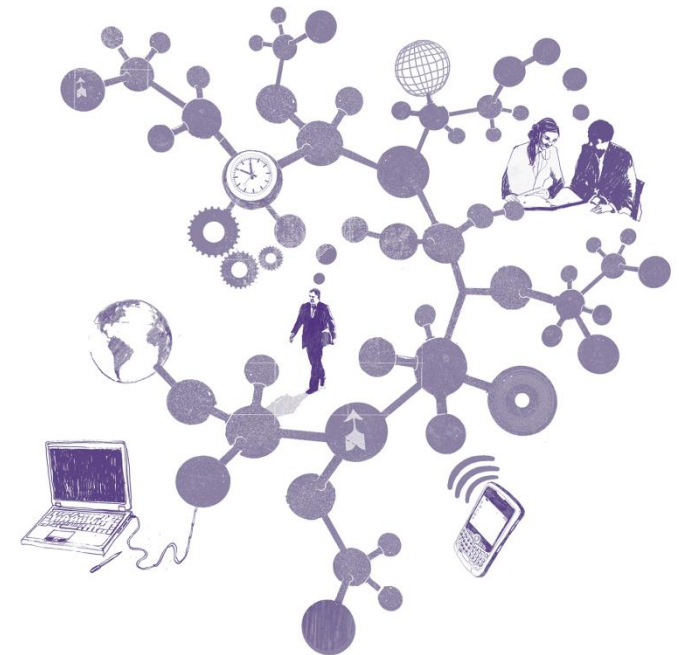
E marianne.dixon@uk.gt.com

Simon Livesey

Assistant Manager

T 0161 953 6900

E simon.d.livesey@uk.gt.com



Chair and Members of the Audit Committee
Oldham Metropolitan Borough Council
Civic Centre
West Street
Oldham
OL1 1UG

14 July 2016

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

T +44 (0)161 953 6900
www.grant-thornton.co.uk

Audit Findings for Oldham Metropolitan Borough Council for the year ending 31 March 2016

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Oldham Metropolitan Borough Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management and a draft version was provided at the Audit Committee meeting on 16 May 2016.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours faithfully,

Grant Thornton UK LLP

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	7
3. Value for Money	17
4. Other statutory powers and duties	20
5. Fees, non-audit services and independence	21
6. Communication of audit matters	22

Appendices

- A Action plan
- B Audit opinion

Section 1 : Executive summary

Purpose of this report

This report highlights the key findings from our audit of Oldham Metropolitan Borough Council's ('the Council') financial statements for the year ended 31 March 2016, in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required consider other information published together with the audited financial statements and whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion that in all significant respects, the audited body has (or has not) put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should to be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 8 April 2016.

Our audit of the financial statements is now complete.

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 (WGA) consolidation pack. We are satisfied that this work will not have a material effect on our opinion on the financial statements or on our value for money conclusion.

We received a full set of draft financial statements on 14th April 2016, although much of the supporting information including working papers was available for review in advance of receiving the financial statements.

Key audit and financial reporting issues

Financial statements opinion

The key messages arising from our audit of the Council's financial statements are

- the draft accounts only required amendments to disclosure notes and the accounts working papers provided to us were of a high quality
- finance staff responded promptly to all audit queries in line with agreed protocols, contributing to a prompt completion of the audit, in line with previous years.

The Council prepared the draft accounts based on the latest available actuarial information in relation to pension scheme accounting entries, which was current at February 2016. As in previous years, a more up to date calculation of pension scheme accounting entries was received from the Actuaries in April 2016, whilst we were conducting the audit.

As a result, the draft accounts recorded net income of £171.4m whereas the final financial statements now show net income of £102.3m, a decrease of £69.1m. There has also been an impact on the Council's balance sheet with a reduction in Net Assets from £145.7m to £76.6m. These are significant movements arising primarily from a change in the discount rate used by the Actuaries, from 3.9% to 3.5%, demonstrating the sensitivity of this key assumption. Further details are set out in section two of this report.

We have discussed with Management whether there is an opportunity to obtain an earlier Actuarial report to allow the first set of draft accounts to be prepared using the March Actuarial figures, so avoiding making revisions to the draft accounts each year.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see draft opinion in Appendix B).

Other financial statement responsibilities

- as well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes
- whether the Narrative Report meets the requirements of the CIPFA Code and is consistent with the audited financial statements
- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit

We found no issues in performing our review in these areas.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention. As reported in our Audit Plan, we are aware of the internal control issues within the Payroll and Adult Social Care financial systems. Action continues to be taken by Management to address these issues and these have been reported in the Council's Annual Governance Statement and are being followed up by Internal Audit.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further details of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Further details of our work on other statutory powers and duties is set out in section four of this report.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance.

Our recommendations, are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Finance and the finance team.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
11 May 2016

Section 2 : Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £9,678k (being 1.75% of expected gross revenue expenditure for 2015/16). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £484k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identify the following items as material by nature rather than size.

Balance/transaction/disclosure	Explanation
<ul style="list-style-type: none"> • Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements • Disclosure of auditors' remuneration in notes to the statements • Disclosure of members' allowances 	<p>Public interest in these disclosures and the statutory requirement for them to be made, means that they are considered to be material by nature.</p>

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgemental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315). In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Oldham MBC, we determined that the risk of fraud arising from revenue recognition can be rebutted, because</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited. 	<p>Our audit work on tax revenues, grant income and other revenues has not identified any issues that would require us to reassess this rebuttal.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> • review of entity controls in relation to journal transactions • testing of journals entries • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later, in this section of the report, our work and findings on key accounting estimates and judgements.</p>
3.	<p>The expenditure cycle include fraudulent expenditure recognition</p> <p>Practice Note 10 recommends that auditors of public sector bodies consider the risk of fraudulent financial reporting from the manipulation of expenditure recognition in order to inappropriately match expenditure with available resources</p>	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> • updated our understanding and documentation of the processes and controls in place to account for operating expenses and completed a walkthrough of key controls • tested a sample of operating expenses to supporting documentation to ensure valid expenditure • tested accruals of expenditure • tested for unrecorded liabilities by completing cut off testing on post year end payments for April and May. 	<p>Our audit work to date has not identified any evidence of fraudulent expenditure recognition.</p>

Audit findings against significant risks (continued)

In addition to the 'standard' significant risks on the previous page, the audit plan also identified two additional significant risks detailed below. These were deemed significant given their value and exercise of the degree of judgement and estimation. These significant risks will not be unique to Oldham MBC. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
4.	<p>Valuation of property plant and equipment (PPE), surplus assets and investment property</p> <p>The CIPFA Code of Practice requires that the Council ensures that the carrying value of PPE at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p> <p>In addition, the Code has implemented IFRS 13 for the first time in the 2015/16 financial statements. The Council is required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS13.</p> <p>The basis on which fair value is defined for investment property is also different to that used in previous years.</p> <p>This represents a significant change in the basis for estimation of these balances in the financial statements. There are also extensive disclosure requirements under IFRS 13 which the Council needs to comply with.</p>	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate • reviewed instructions issued to the valuer and the scope of their work • held discussions with the Valuer about the basis on which the valuation is carried out and challenged key assumptions • reviewed the competence, expertise and objectivity of the valuer used • reviewed and challenged the information used by the Valuer to ensure it is robust and consistent with our understanding • tested revaluations made during the year to ensure they are input correctly into the Council's asset register • Reviewed the disclosures made by the Council in its financial statements to ensure they are in accordance with the requirements of the CIPFA Code of Practice and IFRS 13. 	<p>Our audit work to date has not identified any issues relating to the valuation of PPE.</p> <p>We requested that management include a note disclosing Investment property income and expenditure together with improved disclosures in the note and accounting policies of the application of IFRS 13.</p>

Audit findings against significant risks (continued)

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
5.	<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p> <p>The Council prepared its draft financial statements on an early report from the Actuary using their assumptions on information available to the end of February 2016.</p>	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund liability is not materially misstated and assessed whether these controls were implemented as expected and were sufficient to mitigate the risk of material misstatement obtained assurance from the auditor of the Pension Fund on the controls in place over accuracy of information provided to the actuary. reviewed the competence, expertise and objectivity of the actuary who carried out the pension fund valuation and gained an understanding of the basis on which the valuation is carried out carried out procedures to confirm the reasonableness of the actuarial assumptions made. confirmed that the revised Actuary's report providing estimates based on information available to 31/3/16 is materially different to the original estimate and agreed with management that the accounts should be amended to reflect the revised actuarial figures reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements to the actuarial report 	<p>We agreed with management that the financial statements should be amended to reflect the revised report provided by the Actuary.</p> <p>We are satisfied that the revised financial statements are consistent with the actuary's report.</p>



Audit findings against other risks

In this section, we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p>	<p>Operating expenses / Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> • documented and confirmed our understanding of the controls in place in the accounts payable system • reviewed the Council's process for identifying and processing accruals • tested a sample of expenditure transactions and year end accruals to supporting evidence. • tested a sample of expenditure transactions in the new year (April and May) to confirm they have been accounted for in the correct year 	<p>Our audit work to date has not identified any significant issues in relation to the risk identified.</p>
<p>Employee remuneration</p>	<p>Employee remuneration / accruals understated (Remuneration expenses not correct)</p>	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> • documented and confirmed our understanding of the controls in place in the payroll system • tested a sample of payroll transactions to supporting documentation • reconciled total payroll costs from the payroll subsystem to the general ledger • performed a monthly trend analysis to identify any months with unusually high or low pay levels 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>



Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<p>NDR and Council Tax Income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of revenue can be measured reliably.</p> <p>Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due when there is reasonable assurance that,</p> <ul style="list-style-type: none"> the Council will comply with conditions attached to the payment the grants or contributions will be received <p>Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</p>	<ul style="list-style-type: none"> the Council's accounting policy is appropriate under IAS 18 Revenue and CIPFA's Code of Practice on Local Government Accounting 2015/16 we have undertaken substantive testing of tax income, grants and other revenues and are satisfied that the Council has recognised income in accordance with its accounting policies revenue recognition policies are appropriately disclosed. 	<p style="text-align: center;"> Green</p>
<p>Judgements and estimates</p>	<p>Critical judgements include:</p> <ul style="list-style-type: none"> recognition of school assets whether group accounts are required to be prepared classification of Investment properties <p>Major sources of estimation uncertainty include</p> <ul style="list-style-type: none"> business rates appeals provision impairment of debt Valuation of the shareholding in Manchester Airport Holdings Ltd (MAHL) pensions liability PFI implied interest rate PPE useful economic lives and depreciation Insurance provision 	<ul style="list-style-type: none"> the Council has appropriately disclosed its critical judgements and sources of estimation uncertainty in notes 34 and 35 respectively the Council has appropriately relied on the work of experts for asset revaluations, pension fund valuations, insurance provisions, and the valuation of its investment in MAHL. 	<p style="text-align: center;"> Green</p>

Assessment
● Accounting policy which is inappropriate
● Accounting policy appropriate but scope for improved application or disclosure
● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and concur with management's view that the going concern basis is appropriate for preparing the 2015/16 financial statements.	 Green
Other accounting policies	We have reviewed the Council's accounting policies against the requirements of the CIPFA Code of Practice.	<p>Following our recommendation, the Council enhanced the disclosure of accounting policies to reflect the application of IFRS 13.</p> <p>The Council's other accounting policies are appropriate and consistent with previous years.</p>	 Green

Assessment

- Accounting policy which is inappropriate
- Accounting policy appropriate but scope for improved application or disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have written to management and the Audit Committee in relation to the risk of fraud. We have not been made aware of any material incidents in the period and no issues have been identified during the course of our audit.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> Our work and enquiries have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We have written to management and the Audit Committee in relation to laws and regulations. You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council, prior to issuing the audit opinion
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests for bank balances loans and investments. This permission was granted and the requests were sent to one institution for bank balances, five institutions for loans and a further eight organisations and institutions for investments. Of these requests we received confirmations for all bank balances and investments and one confirmation for loans. We carried out alternative procedures to confirm remaining loans.
6.	Disclosures	<ul style="list-style-type: none"> We identified the need to include a disclosure note for Investment Properties, which is now a material figure in the balance sheet. This has now been included in the final version of the financial statements.

Other communication requirements (continued)

	Issue	Commentary
7.	Matters on which we report by exception	<p>We are required to report on a number of matters by exception as follows</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • the information in the Narrative Statement is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading. <p>We have not identified any issues we would be required to report by exception in the above areas.</p>
8.	Specified procedures for Whole of Government Accounts (WGA)	<p>Before we can certify the audit as completed, we are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold, we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. We do not expect that this work will result in any issues arising which would impact on our opinion on the accounts.</p> <p>The WGA consolidation pack has not yet been completed by the Council.</p>

Misclassifications and disclosure changes

Our audit has not identified any unadjusted misstatements.

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements (excluding minor narrative, casting and typographical changes).

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	–	Investment Assets	The draft financial statements now include a disclosure note to support this material balance. This has now been included at Note 17 b.
2 Disclosure		Note 19 – Categories of Financial Instruments	Correction of disclosure of analysis of Cash and Cash equivalents from £32,100k to £27,919k.
3 Disclosure		Note 19 – Fair Value of financial assets	Correction of classification of minority shareholding in Manchester Airport as Level 3 investments.
4 Disclosure		Note 11 – External Audit fees	Correction of analysis of fees between audit services, grant claims and other services.
5 Narrative Report		Introduction to financial statements	Include explanation of those Council Reserves which are not mentioned in the detail of the accounts or supporting notes.
6 Disclosure		Note 12 – Amounts Reported for Resource allocation Decisions	Disclosure that whilst Council has changed its internal management structure for 2015/16 it has not restated 2014/15 on the new reporting basis on the grounds that the cost would be excessive in comparison with the benefit to the user.

Section 3 : Value for Money

Value for Money

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate,

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We completed an initial risk assessment in early April 2016 and identified the following significant risks, which we communicated to you in our Audit Plan on 21 April 2016.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of our report and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p>Health & Social Care Integration The Council is seeking to deliver wide-ranging changes and greater integration to ensure the financial sustainability of adult health and social care services. This requires working with partners from different organisations and service areas with potentially conflicting priorities.</p>	<p>We reviewed the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring these risks and working with the CCG towards the delivery of integrated health and social care within the Borough through the Better Care Fund (BCF).</p>	<p>The Better Care Fund partnership arrangement has been established through a formal Section 75 agreement between the Council and Oldham CCG, which provides a sound basis for partnership working and delivery of the £16m BCF.</p> <p>The partnership has established a recognised and clear governance framework that aligns with both the Oldham Council Cabinet and the CCG Governing Body. Each of the BCF work-streams is led by a recognised lead and a team with representation from each of the partnership organisations concerned.</p> <p>Management of the BCF partnership has been vested to the Health and Wellbeing Board (HWBB) which operates within a framework (as opposed to a terms of reference) and has been in operation since April 2013.</p> <p>The partners have also established the Integrated Commissioning Partnership Board (ICPB) tasked with facilitating integration and joint commissioning across all areas of health, wellbeing and social care, alongside the Council's Cabinet and the CCG Governing Body.</p> <p>The BCF Assurance Group has been formed to regulate the fund and address operational issues. Convening fortnightly with representatives from both partners this group is tasked with ensuring that the milestones and desired outcomes for each programme are delivered.</p> <p>The ICPB has oversight of the delivery of the BCF ensuring milestones and outcomes of the programme are delivered and risks associated with BCF workstreams are managed.</p> <p>The ICPB has established a terms of reference that strengthens a previous partnership agreement. The terms of reference set out the arrangements in place with regard to governance, financial management and risk management whilst also defining how those activities will function through the ICPB as the primary coordinating body for integrated commissioning. This group (as per the terms of reference) convenes on a monthly basis and must include two voting members from each partner organisation in order to be quorate.</p> <p>Implementing the BCF in Oldham has brought health and social care closer together and is a crucial platform for further integration, alongside the Locality Plan for Oldham for the development of the Accountable Care Management Organisation (ACMO).</p> <p>On that basis, we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place.</p>

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements as set out on page 21., however we also highlight here our findings from other key considerations used to inform our VFM conclusion.

Financial Outturn 2015/16

The Council manages budgets well and has a good track record of achieving its financial plans. In 2015/16, the Council achieved a surplus of £425k against the revised budget and this surplus has been allocated to the Council's General Fund balance for use in future years.

The Council continues to hold a General Fund reserve fund comparable with the previous year at £18.5m. Earmarked Reserves have increased by £8.8m from the previous year, mainly attributed to the approval of allocations to the Transformation Reserve and Regeneration Reserve to address future financial pressures and support important regeneration initiatives to enable the Borough's economic development.

The Council's long term borrowing remains generally consistent with previous year at £407m and includes PFI liabilities of £258m where financial obligations are covered by the receipt of PFI credits from sponsoring Government Departments.

We do not have any significant concerns arising from our review of the 2015/16 budget outturn over the Council's arrangements for delivering economy, efficiency and effectiveness.

Financial Planning for 2016/17 and beyond

The Council has set a balanced revenue budget for 2016/17 together with budget plans for 2017/18, within a five year Medium Term Financial Strategy to 2020/21.

The Council has identified a savings target of £20.4m for 2017/18 and a further savings requirement of £43.1m for the three years 2018/19 to 2020/21.

The Council has demonstrated a robust planning process and challenge of expenditure assumptions. This together with the quality of reporting and high level of scrutiny means the Council is well positioned to tackle the financial risks facing it in the medium term.

We do not have any significant concerns arising from our review of the Council's financial planning processes which form part of its arrangements for delivering economy efficiency and effectiveness.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4 : Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Public interest report	We have not identified any matters that would require a public interest report to be issued.
2.	Written recommendations	We have not made any written recommendations that the Council is required to respond to publicly.
3.	Application to the court for a declaration that an item of account is contrary to law	We have not made any such application.
4.	Issue of an advisory notice	We have not issued an advisory notice.
5.	Application for judicial review	We have not made any application for judicial review.

At this stage we have not received any formal objections to the 2015/16 financial statements.

Section 5 : Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	£
Council audit	*135,621
Grant certification	13,361
Total audit fees (excluding VAT)	148,982

*We have reduced the fee from the fee scale published on the PSAA website (originally £ 144,878) to take account of our assessment of the audit risks relevant to the Council. This is in line with the approach taken in previous years.

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited.

Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Subsidiary companies

Grant Thornton UK LLP also provides audit and other services to the wholly owned subsidiary companies Oldham Care and Support Ltd and Oldham Care and Support at Home Ltd, for fees totalling £22,350. This is a separate engagement outside the remit of Public Sector Audit Appointments Limited

Fees for other services

Service	Fees £
Audit related services:	
• Teachers Pension Return	4,200
Non-audit services	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and, therefore, we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 6 : Communication of audit matters

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority High / Medium / Low

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Last year we recommended that there was an opportunity to reduce the length of the accounts. Whilst the Council removed two notes and several areas of narrative duplication, the financial statements for 2015-16 continue to be in excess of 150 pages.</p> <p>During our audit we have highlighted a number of areas for consideration in 'cutting the clutter' in future financial statements and discussed these with the Finance team. In particular the disclosure of contingent liabilities and contingent assets</p> <ul style="list-style-type: none"> • only where material • for contingent liabilities only when more than remote • disclosing amounts and/or uncertainties <p>We recommend that an early review of the accounts is conducted to make further progress in reducing the length of the accounts.</p>	Low	<p>During the 2015/16 final accounts process, the Finance Team undertook a review of the requirements set out in the Code of Practice (which introduced new items) and also had regard to comments from the Audit Findings Report for 2014/15 which highlighted de-cluttering as an issue. The review led to a series of actions which were considered to have improved the ability of the reader of the Statement of Accounts to understand the key issues. However, acknowledging the audit comments, this matter will be revisited for the 2016/17 Statement of Accounts.</p> <p>In order to address this issue, the Finance Team will undertake a further review and discuss the outcome with Audit colleagues. This will include an early review of a skeleton Statement of Accounts. This will ensure that there is a common understanding of the approach to disclosures within the Statement of Accounts.</p>	Finance Team to start review in July 2016

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OLDHAM METROPOLITAN BOROUGH COUNCIL

We have audited the financial statements of Oldham Metropolitan Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement in the Housing Revenue Account, the Collection Fund and the related notes. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act, and as set out in paragraph 43 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 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves 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 fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Oldham Metropolitan Borough Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Appendix B: Audit opinion (continued)

Conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

The Authority 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.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code of Audit Practice"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority 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 criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

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 Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects, Oldham Metropolitan Borough Council has put in place proper arrangements for securing value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for Oldham Metropolitan Borough Council for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

Graham Nunns

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB



© 2016 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant-thornton.co.uk