

Annual Governance Report

September 2006



Annual governance report

Oldham Metropolitan Borough Council

Audit 2005/2006

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Authority

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2006

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Purpose of this report	4
Scope of the report	4
Key messages	6
Financial statements	6
Use of resources	6
Financial statements	7
Status of the audit	7
Matters to be reported to those charged with governance	7
Next steps	14
Use of resources	15
Value for money conclusion	15
Use of auditors' statutory powers	18
Closing remarks	19
Appendix 1 – Audit responsibilities and approach	20
Audit objectives	20
Approach to the audit of the financial statements	21
Approach to audit of arrangements to secure value for money	21
Appendix 2 – Audit reports issued	23
Appendix 3 – Fee information	24
Appendix 4 – The Audit Commission's requirements in respect of independence and objectivity	25
Appendix 5 – Independent auditor's report to Oldham Council	26
Appendix 6 – Letter of representation	30
Appendix 7 – Action Plan	32

Purpose of this report

- 1 We are required by the Audit Commission's statutory Code of Audit Practice for Local Government bodies (the Code) to issue a report to those charged with governance summarising the conclusions from our audit work. For the purposes of this report, the Authority's Cabinet is considered to fulfil the role of those charged with governance and references to the Cabinet should be read as such.
- 2 We are also required by professional auditing standards to report to the Cabinet certain matters before we give our opinion on the financial statements. The section of this report covering the financial statements fulfils this requirement.
- 3 This is our annual governance report covering the audit of the Authority for the year ended 31 March 2006 and is presented by the District Auditor.
- 4 The principal purposes of the report are:
 - to reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and the Cabinet;
 - to share information to assist both the auditor and the Cabinet to fulfil their respective responsibilities; and
 - to provide the Cabinet with recommendations for improvement arising from the audit process.
- 5 The Audit Commission has circulated to all audited bodies a Statement of Responsibilities of Auditors and Audited Bodies that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement.

Scope of the report

- 6 In undertaking our audit, we comply with the statutory requirements of the Audit Commission Act 1998 and the Code. Auditors' responsibilities are to review and report on, to the extent required by the relevant legislation and the requirements of the Code:
 - the Authority's financial statements; and
 - whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

- 7 Our risk assessment and planned response to the key audit risks was summarised in our audit and inspection plan. A summary of our responsibilities and audit approach is included in Appendix 1. The annual governance report summarises the significant findings, conclusions and recommendations arising from our audit work. The results of our inspection work, and our separate grant claims' certification programme, will be reported in the Annual Audit and Inspection Letter early next year.
- 8 We have issued separate reports during the year having completed specific aspects of our programme, which are listed in Appendix 2. Appendix 3 provides information about the fee charged for our audit and Appendix 4 sets out the requirements in respect of independence and objectivity.

Key messages

Financial statements

- 9 Our work on the financial statements is now substantially complete. There are a number of amendments which are required to the accounts which are summarised in Table 1 of this report.
- 10 Subject to the satisfactory resolution of any outstanding matters and agreement on the amendments to the accounts, we anticipate being able to issue an unqualified opinion by 29 September 2006. A draft report which includes this unqualified opinion is attached at Appendix 5.

Use of resources

- 11 Our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources is now complete. We anticipate being able to issue an unqualified conclusion on the use of resources by 29 September 2006 and a draft report which includes this conclusion is attached at Appendix 5.

Financial statements

- 12 We are required to give an opinion on whether the Authority's financial statements present fairly the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Status of the audit

- 13 Our work on the financial statements is now substantially complete.

Matters to be reported to the Cabinet

- 14 We have the following matters to draw to the Cabinet's attention.

Expected modifications to the auditor's report

- 15 On the basis of our audit work, subject to the satisfactory conclusion of any work outstanding reported above, we currently propose to issue an unqualified audit report. A draft is attached at Appendix 5.

Uncorrected misstatements

- 16 Excluding those misstatements that are 'clearly trivial' (as defined in professional auditing standards), our audit has not identified any misstatements in the financial statements that management has decided not to adjust.

Adjusted misstatements

- 17 To assist you in fulfilling your governance responsibilities, we are required to consider reporting adjusted misstatements to you where these are material. We therefore draw your attention to the list of material and significant misstatements that management has adjusted in Table 1 below. A complete listing of all amendments has been provided to officers.

Table 1 Adjusted misstatements in the financial statements

Details of material and/or significant adjustments made to the financial statements

Issue	Value of misstatement	Impact on surplus/(deficit)
Consolidated Revenue Account Gross expenditure and income has been understated.	£8,030,000	Nil
Long Term Debtors Long-term debtors have been understated in respect of accrued interest relating to the Council's investment in Oldham Education Enterprise.	£769,000	£769,000
Cash School balances were reconciled on various dates, not as at 31 March.	£170,000	Nil
Cumulative school cash balances were incorrectly included in Debtors	£2,467,000	Nil
Debtors Standards Fund receipt in advance incorrectly presented	£4,028,000	Nil
Council tax arrears incorrectly analysed	£1,793,000	Nil
Housing benefit creditor incorrectly analysed	£2,328,000	Nil
Housing market renewal fund creditor incorrectly analysed	£1,252,000	Nil

Issue	Value of misstatement	Impact on surplus/(deficit)
Creditors		
Amount owed to GM Waste reclassified as a provision.	£383,000	Nil
Payroll creditor understated	£119,000	(£119,000)
Payments in advance incorrectly presented	£1,726,000	Nil
The insurance fund was incorrectly included in creditors	£1,374,000	Nil
Housing market renewal fund debtor incorrectly analysed	£4,036,000	Nil
Social Services debtors incorrectly analysed	£793,000	Nil
Government grants	£970,000	Nil
Single Regeneration Budget Grant was incorrectly included in debtors		
Collection Fund		
Contribution to the NNDR pool is overstated.	£1,700,000	£316,000 (Collection Fund balance)
Business rates income is overstated.	£1,384,000	
Bad debt provision understated	£340,000	(£340,000) (Collection Fund balance)
Deferred Premiums	£11,563,000	Nil
These have been incorrectly categorised on the Balance Sheet.		
Premiums	£149,000	(£115,000) - General Fund
Premiums of £1.8m arising from early debt redemption have not been amortised and further premiums totalling £900,000 have been incorrectly amortised.		(£34,000) - HRA

Issue	Value of misstatement	Impact on surplus/(deficit)
Fixed Assets Two valuations are incorrectly recorded	£7,869,000	Nil
Pooled Housing Capital Receipts Understatement of the amount due to the Pool	£344,000	Nil
PWLB Loans The analysis between long and short term borrowing is incorrect	£260,000	Nil
Capital charges Incorrectly calculated - wrong opening balance used.	£1,600,000	Nil

18 There were weaknesses in accounts preparation processes, including:

- late working papers
- lack of / poor working papers (insufficient explanation of material balances)
- unsupported balances / lack of control account reconciliations.
- insufficient capacity (slow response to queries)
- journals not descriptive
- lack of quality assurance checks
- no formalised timetable or closedown plan for group accounts.

Recommendations

R1 Improve year end and qualitative processes for producing the financial statements to ensure the accounts presented for approval are free from significant errors and supported by a robust set of working papers.

Qualitative aspects of accounting practices and financial reporting

- 19 Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Matters that we would like to bring to your attention are summarised in Table 2 below.

Table 2 Qualitative aspects of accounting practices and financial reporting

Area	Issue	Impact
Reconciliations	The Consolidated Revenue Account was not agreed with the trial balance and the accounting records before the financial statements were approved Reconciliations between the new benefits system and the main accounting system were incomplete when the financial statements were approved.	Incomplete working papers and insufficient evidence to support the assertion that the accounts are complete.
Disclosures	A Contingent Liability has been added in respect of FCHO	Disclosure of a significant issue.
Group Accounts	We have agreed that the group boundaries should be expanded to include subsidiary and joint venture companies. No consolidation adjustment was made for unrealised profits on inter company transactions.	Compliance with the new Group Accounts requirements. A provision of £2.236m in respect of FCHO has been made.

Recommendations

R2 Build sufficient time and resources into the accounts closure programme to carry out a qualitative review of the accuracy and completeness of the financial statements.

Material weaknesses in internal control identified during the audit

- 20** Our audit has not identified any material misstatement in the financial statements. However, paragraph 18 above details the weaknesses we identified in the accounting and closedown procedures.
- 21** We should emphasise that we have not provided a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made. We are only required to address those matters which have come to our attention as a result of the audit procedures we have performed.

Matters specifically required by other auditing standards

- 22** Other auditing standards require us to communicate with you in other specific circumstances including:
- where we suspect or detect fraud;
 - where there is an inconsistency between the financial statements and other information in documents containing the financial statements; non-compliance with legislative or regulatory requirements and related authorities.
- 23** We wish to report the following matter to you:
- there are presentational errors in the summary accounts published in the August 2006 edition of "The Borough Oldhamer"

Any other matters of governance interest

- 24 Finally, we are required to report any other matters that we believe to be of governance interest. We report these matters in Table 3 below.

Table 3 Other matters of governance interest

There are a number of other matters that we would like to bring to the attention of those charged with governance

Area	Auditor responsibility	Impact
Statement on internal control (SIC)	The auditor reviews the SIC for compliance with the requirements of proper practice as specified by CIPFA and consistency with other information from the audit of the financial statements.	We have concluded that the SIC fully complies with the requirements of proper practice as specified by CIPFA.
Whole of Government Accounts' consolidation pack	The auditor is responsible for issuing a report on the consistency of the Authority's consolidation pack with the statutory financial statements.	This results in additional work for both the Authority in preparing the consolidation pack and for the audit. For 2005/06 there is no additional charge for this audit work.
Pension Funds	Pension scheme benefits have changed with effect from 1 April 2006, including the right of scheme members to elect for a reduced annual pension. Guidance was issued by CIPFA in June 2006 on the disclosures which should be made in the accounts in respect of the above changes	There is a net benefit to employers of pension scheme members electing to take enhanced lump sums. The assumptions made by the actuary in assessing the impact of this on estimating pension liabilities are disclosed in a note to the accounts.

Letter of representation

- 25 We obtain written representations from management as an acknowledgement of its responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. The text of the required letter of representation is included at Appendix 6.

Next steps

- 26 We are drawing these matters to the Cabinet's attention so that:
- you can consider them before the financial statements are approved and certified;
 - the letter of representation can be signed on behalf of the Authority and those charged with governance before we issue our opinion on the financial statements
 - if we had highlighted any unadjusted misstatements and/or significant qualitative aspects of financial reporting issues, the Authority would have the opportunity to amend the financial statements for the identified above
- 27 In accordance with the ISA (UK and Ireland) 260, should the Authority decide not to amend the financial statements for any of the issues referred to above in Table 1, we request that you explain the reasons why you are not making the amendments. The reasons should be set out in the representation letter or in a document appended to it.

Use of resources

Value for money conclusion

- 28 The Code requires us to reach a conclusion on whether we are satisfied that the Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of your resources (the value for money conclusion). In meeting this responsibility, we review evidence that is relevant to the Authority's corporate performance management and financial management arrangements.
- 29 Our work in reaching the value for money conclusion is integrated with our work on the use of resources assessment. The use of resources assessment is a qualitative assessment of the effectiveness of the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. The five areas we make assessments on are; financial statements, financial management, financial standing, internal control and value for money.
- 30 We have substantially completed our work in relation to the value for money conclusion and, subject to the satisfactory conclusion of the work outstanding, there are no matters which we wish to draw to the attention of the Cabinet. The specific criteria set by the Audit Commission which we have assessed in drawing our conclusion for 2005/06 are summarised in Table 4 below.

Table 4

The Council has met all 12 criteria

Criteria met	Yes / No
Strategic and operational objectives	
The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Yes
Communication	
The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Yes
Performance management	
The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Yes
Data quality	
The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Yes
Internal control	
The body has put in place arrangements to maintain a sound system of internal control.	Yes
Risk management	
The body has put in place arrangements to manage its significant business risks.	Yes

Improving value for money	
The body has put in place arrangements to manage and improve value for money.	Yes
Financial strategy	
The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Yes
Financial resources	
The body has put in place arrangements to ensure that its spending matches its available resources.	Yes
Financial management	
The body has put in place arrangements for managing performance against budgets	Yes
Asset management	
The body has put in place arrangements for the management of its asset base.	Yes
Probity	
The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Yes

- 31 We are therefore satisfied that having regard to the criteria specified by the Audit Commission, in all significant respects, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006. We anticipate being able to issue an unqualified conclusion on the use of resources by 29 September 2006. A draft report which includes this conclusion is attached at Appendix 5.
- 32 The key findings from our work on the use of resources criteria are summarised below.

Improving value for money

- 33 In 2005, the Council, having recognised that in respect of the Gershon agenda, procurement is an area where it has some way to go to maximise efficiency, commissioned a Procurement Review by an external procurement specialist. This has resulted in an 18 month programme of change and improvement in procurement practices and an action plan has been put in place to improve the arrangements.
- 34 However, progress in this area is slower than anticipated and the conclusion of the IDeA efficiency review carried out in July 2006 is that “.....there is some way to go before procurement is fully effective in securing value for money.....”

Recommendations

R3 Procurement needs to be treated as a key corporate project.

Asset management

- 35 Progress is being made in asset management. The recently revised asset management plan has a strategic focus, linked to the council's priorities.
- 36 However, the Council recognises that property management is in need of development. At present there is no corporate landlord function; it is devolved to departments, and not well linked to corporate asset management. There is a proposal to centralise the function but at present although there is a property strategy in adult services for example, there is no corporate strategy. Property management is to be part of the first phase of functions to be transferred to the proposed SSDP.

<i>Recommendations</i>
<i>R4 Establish a corporate property strategy, centralise property management and coordinate it effectively with corporate asset management.</i>

Use of auditors' statutory powers

- 37 Auditors are required to consider the exercise of certain statutory powers during the course of the audit, as summarised in Table 5 below.

Table 5 Use of statutory powers

Insert text

Issue	Auditor responsibility	Impact
Section 8 reports	Section 8 of the Act requires that auditors should consider whether, in the public interest, they should report on any matter that comes to their attention in the course of the audit so that it may be considered by the body concerned or brought to the attention of the public.	There have been no section 8 reports in respect of the financial year 2005/2006.
Section 11 recommendations	To consider whether a written recommendation should be made to the audited body requiring it to be considered and responded to publicly.	There have been no s11 recommendations.
Best value	To consider whether to recommend that the Audit Commission should carry out a best value inspection of the Authority under section 10 of the Local Government Act 1999 and/or that the Secretary of State should give a direction under section 15 of that Act.	Our work in respect of the Authority's 2005/2006 Best Value Performance Plan (BVPP) was reported in the 2005 annual audit and inspection letter. No recommendations were made to the Audit Commission or the Secretary of State.

Closing remarks

- 38 This report has been discussed and agreed with senior officers and will be presented at the Cabinet on 28 September 2006.
- 39 The report makes a number of recommendations and these are included in the action plan at Appendix 7 which we would ask you to complete, including indicative target dates for the implementation of recommendations.
- 40 The Authority has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the Authority's assistance and co-operation.

Clive Portman
District Auditor

September 2006

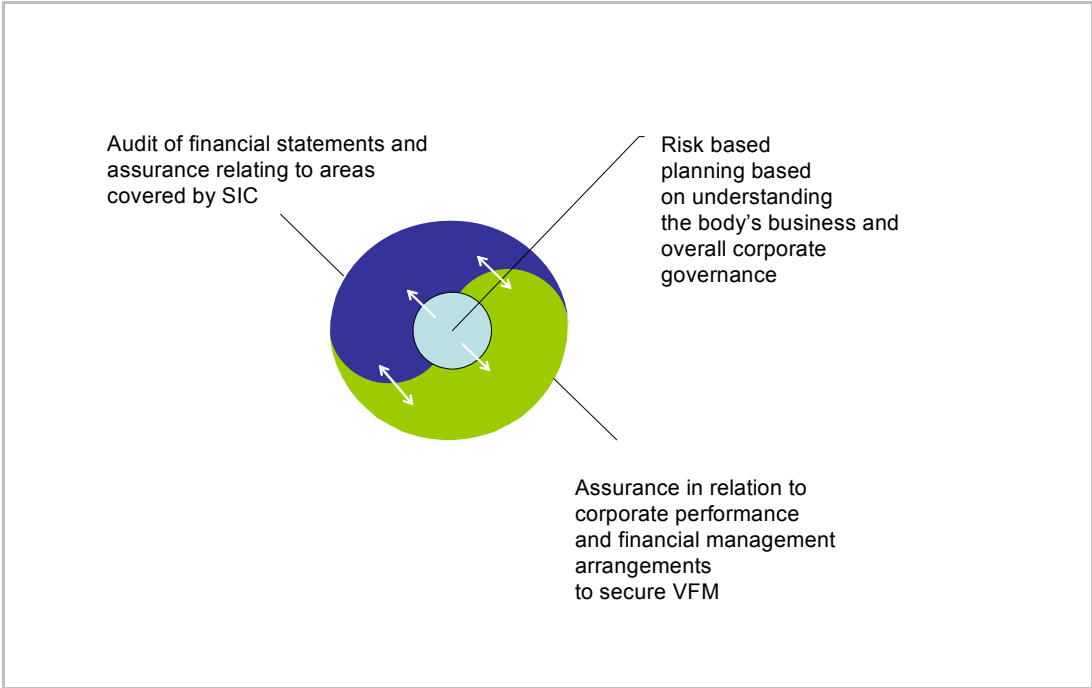
Appendix 1 – Audit responsibilities and approach

Audit objectives

- 1 Our objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on the significant risks that are relevant to our audit responsibilities.

Figure 1 Code of Audit Practice

Code of practice responsibilities



Approach to the audit of the financial statements

- 2** In our approach to auditing the financial statements, we adopt a concept of materiality. Material errors are those which might be misleading to a reader of the financial statements. We seek, in planning and conducting our audit of the accounts, to provide reasonable assurance that your financial statements are free of material misstatement. In planning our work we considered the arrangements of the Authority which had most impact on our opinion. These included:
 - the standard of the overall control environment and internal controls;
 - reliance on internal audit;
 - the likelihood of material misstatement occurring from material information systems; or a material error failing to be detected by internal controls;
 - any changes in financial reporting requirements; and
 - the effectiveness of procedures for producing the financial statements and supporting material.
- 3** The results of the above feed into our risk assessment which determines the level and type of testing undertaken on each element of the financial statements.
- 4** In addition, as the Authority prepares group financial statements, we have also considered whether it is necessary to communicate to you such matters brought to the attention of those charged with governance of each body within the group by its auditors. Only those matters which we judge to be of significance in the context of the group are brought to your attention.

Approach to audit of arrangements to secure value for money

- 5** The scope of these arrangements is defined in paragraph 20 of the Code as comprising:
 - corporate performance management; and
 - financial management arrangements.
- 6** Our conclusion is informed and limited by reference to relevant criteria covering specific aspects of audited bodies' arrangements, specified by the Code.

- 7 In planning audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, considered and assessed relevant significant business risk. Significance is defined by the Code as 'a matter of professional judgment and includes both quantitative and qualitative aspects of the risk'.
- 8 The potential sources of assurance when reaching the value for money conclusion include:
 - the Authority's whole system of internal control as reported in its statement on internal control;
 - results from statutory inspections or the work of other regulators, for example, corporate assessments, service assessments (whether by the Commission or other regulators), etc.;
 - work specified by the Audit Commission, for example, the use of resources assessments, and data quality work;
 - links to the financial statements' audit, including review of internal audit, the SIC and budgetary control arrangements; and
 - other work necessary to discharge our responsibilities.

Appendix 2 – Audit reports issued

Table 6

Planned output	Planned date of issue	Actual date of issue	Addressee
Audit and inspection plan	March 2006	May 2006	Management
Annual governance report	September 2005	September 2005	Cabinet
Opinion on financial statements	September 2005		The Authority
Value for money conclusion	September 2005		The Authority
Interim and Final accounts audit memorandum	September 2005		Management
Use of resources assessments	October 2005	November 2005	Management
BVPP report	December 2005	December 2005	The Authority
Report on the audit of performance information (PIs)	December 2005	December 2005	Management
Annual Audit and Inspection Letter	February 2007		The Authority

Appendix 3 – Fee information

Table 7

Fee estimate	Plan 2005/06	Actual 2005/06
Accounts	£166,500	£181,500 **
Use of resources	£169,500	£169,500
Total audit fees	£336,000	£351,000
Inspection	£15,500	£15,500
Total audit and inspection fee	£351,500	£366,500
Voluntary improvement work	£0	£0

** An additional fee of £15,000 was agreed due to additional work which was required to meet the International Standards on Auditing (ISAs). These standards applied for the first time to the 2005/06 audit.

Appendix 4 – The Audit Commission’s requirements in respect of independence and objectivity

- 1** We are required by the standard to communicate the following matters to the Audit Committee:
 - the principal threats, if any to objectivity and independence identified by the auditor, including consideration of all relationships between the Authority, directors and the auditor;
 - any safeguards adopted and the reasons why they are considered to be effective;
 - any independent partner review;
 - the overall assessment of threats and safeguards; and
 - information about the general policies and processes for maintaining objectivity and independence.
- 2** We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing and ethical standards.

Appendix 5 – Independent auditor’s report to Oldham Metropolitan Borough Council

I have audited the financial statements of Oldham Metropolitan Borough Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Oldham Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Director of Finance and ICT's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA’s guidance, 'The Statement on Internal Control in Local Government, Meeting the Requirements of the Accounts and Audit Regulations, 2003'. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority and its Group as at 31 March 2006 and its income and expenditure for the year then ended.

Clive Portman
District Auditor
Audit Commission,
2nd Floor,
Aspinall House,
Aspinall Close,
Middlebrook,
Horwich,
Bolton BL6 6QQ

xx September 2006

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority’s assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority’s best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in August 2005, in all significant respects, Oldham Metropolitan Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 on 15 December 2005. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Clive Portman
District Auditor
Audit Commission,
2nd Floor,
Aspinall House,
Aspinall Close,
Middlebrook,
Horwich,
Bolton BL6 6QQ

xx September 2006

Appendix 6 – Letter of representation

Draft management representation letter (ISA+580)

To: Clive Portman, District Auditor
Audit Commission,
2nd Floor,
Aspinall House,
Aspinall Close,
Middlebrook,
Horwich,
Bolton BL6 6QQ

Oldham Metropolitan Borough Council Audit for the year ended 31 March 2006

I confirm to the best of my knowledge and belief, having made appropriate enquiries of officers within the Council, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2006.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which present fairly and for making accurate representations you.

The Authority has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Authority have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Authority meetings, have been made available to you.

Related party transactions

I confirm the completeness of the information provided regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and,
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements;
- no financial guarantees have been given to third parties, other than those already disclosed in the financial statements.

Law, regulations and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Authority.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements;
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Authority, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

Signed on behalf of Oldham Metropolitan Borough Council

Appendix 7 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	R1 Improve year end and qualitative processes for producing the financial statements to ensure the accounts presented for approval are free from significant errors and supported by a robust set of working papers.	3				

	R2 Build sufficient time and resources into the accounts closure programme to carry out a qualitative review of the accuracy and completeness of the financial statements.	3				
	R3 Procurement needs to be treated as a key corporate project.	3				
	R4 Establish a corporate property strategy, centralise property management and coordinate it effectively with corporate asset management.	3				