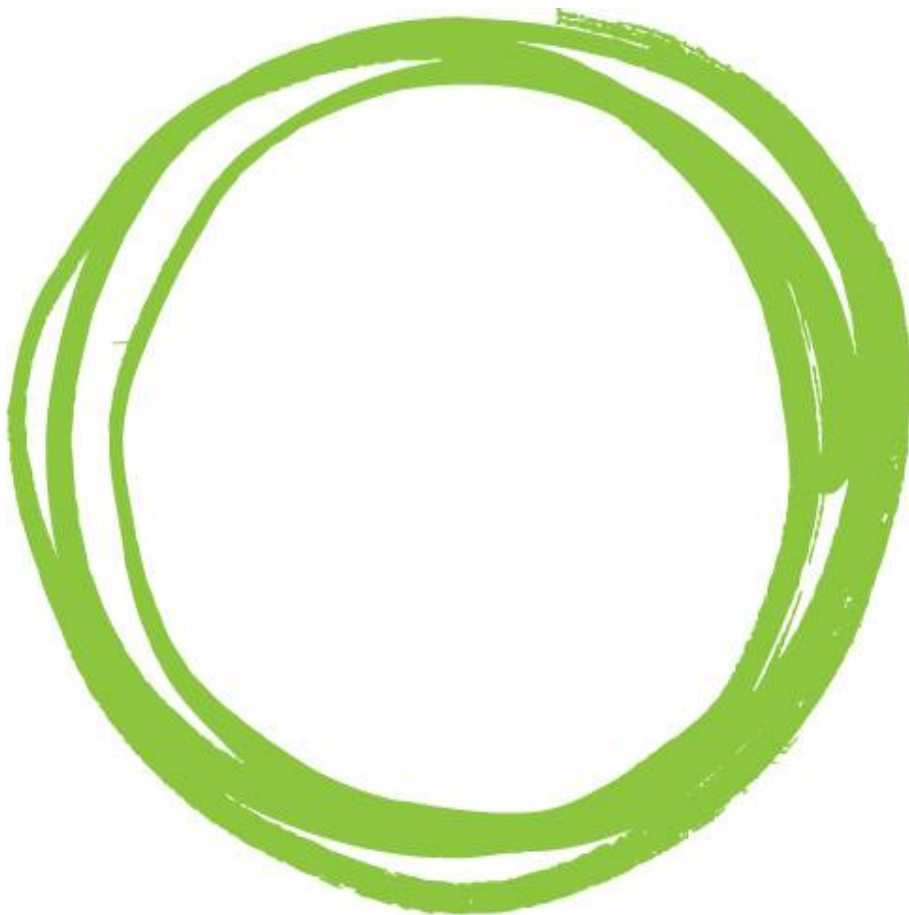


# Annual Governance Report

Oldham Metropolitan Borough Council

Audit 2007/08

October 2008



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## Status of our reports

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 non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Summary

## Purpose

- 1 This report summarises the findings from our 2007/08 audit, which is substantially complete. It identifies the key issues that you should consider before we issue our opinion, conclusion and certificate.
- 2 This report includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.

## Financial statements

- 3 We expect to issue an unqualified opinion on the financial statements. We maintained a very close liaison with officers before and during the preparation of the accounts, and were able to resolve some difficult accounting issues at an early stage. The Council committed significant resources into this area, including engaging external assistance. We acknowledge this was a very positive approach to dealing with complex, and new, accounting requirements.
- 4 Despite this time and effort, the financial statements and supporting notes submitted for audit contained a significant number of material and non-trivial errors. The number of these misstatements is disappointing - a view shared by management - and illustrates that there remains significant scope to strengthen arrangements for the preparation of the accounts and the associated internal quality assurance processes
- 5 The adjustments needed to address these errors do not reduce the Council's available revenue reserves. Officers have agreed to make the adjustments to the accounts and notes that we recommended. However, our work is not yet complete and we will report any further matters arising in an addendum to this report.
- 6 Last year, we highlighted major weaknesses in the quality of working papers. In response to our recommendations, the Director of Finance and his team have worked hard to improve the quality of the supporting working papers, and this was mostly achieved. In many cases we saw good evidence and received timely, good quality responses; however, in some areas, working papers were not available in a timely manner, or responses to queries were slow partly due to the volume of queries raised.

## Value for money

- 7 The Authority's arrangements for securing economy and efficiency in the use of resources are adequate, except insofar as they relate to:
  - maintaining a sound system of internal control, and
  - monitoring the quality of published performance information.
- 8 We therefore propose issuing a qualified (except for) conclusion on the use of resources.

### Formal audit powers

- 9 I have not issued any reports in the public interest under Section 8 of the Audit Commission Act 1998.

### Next steps

- 10 We ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements;
- agree to adjust the financial statements as set out in our recommendations;
- approve the representation letter on behalf of the Council before we issue our opinion, conclusion and certificate; and
- agree your response to the proposed action plan.

# Financial statements and Annual Governance Statement

- 11 The Council's financial statements and Annual Governance Statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for the financial statements and Annual Governance Statement. It is therefore important that you consider our findings before you adopt the financial statements and the Annual Governance Statement.
- 12 In planning our audit we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 13 In addition, auditing standards require us to report to you:
  - the draft representation letter which we are asking management and you to sign;
  - our views about the Council's accounting practices and financial reporting;
  - errors in the financial statements;
  - any expected modification to our report;
  - weaknesses in internal control; and
  - certain other matters.

## Key areas of judgement and audit risk

- 14 In planning our audit we identified key areas of judgement and audit risk that we have considered as part of our audit. Our findings are set out in Table 1.

**Table 1 Key areas of judgement and audit risk**

Issue or risk	Finding
Adequate resources may not be in place to cover both the introduction of Agresso and the prompt and accurate production of the 2007/08 statement of accounts.	Officers made every effort to ensure that adequate resources were in place and that staff were available to deal with our queries.
Year end and qualitative processes for producing the financial statements need to be improved to ensure the accounts presented for approval are free from significant errors.	A detailed project plan was produced to shape and monitor the completion of the accounts. There is evidence that this improved the process, but there remains significant further scope to strengthen the arrangements for the preparation of accounts and internal quality assurance.

## Financial statements and Annual Governance Statement

Issue or risk	Finding
The accounts should be supported by a robust set of working papers	The quality of working papers has improved, but there remains scope for further improvement.
Changes required by the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP)	Amendments were agreed to comply with the SORP.
The new requirement for an Annual Governance Statement (AGS) replaces the Statement on Internal Control.	We commented on the draft AGS and again on amendments approved by the Audit Committee on 30 June. We have concluded that the AGS is consistent with our understanding of arrangements within the Council.
New requirements relating to financial instruments were anticipated to cause significant difficulties for many local authorities.	We liaised with officers over these new requirements early in the accounts process so that accounting requirements were clarified. Additional external technical resources were brought in to assist. Our testing identified that several amendments to the accounts were required.
The introduction of the Revaluation Reserve, which brings some complex accounting issues, will test the capacity of the existing asset register to provide adequate information on each asset held by the Council.	Necessary information on each asset was available, enabling the creation of the Revaluation Reserve for the first time. Our testing did not identify any reporting issues.
Draft capital finance regulations, covering the treatment of premia and discounts, MRP, investment in property and temporary arrangements for accounting for equal pay.	The appropriate capital finance regulations and revised SORP guidance have been applied.
FRS17 reliance on experts.	Significant figures relating to pensions disclosures are based on estimates made by the Pension Fund actuary. We work with the Pension Fund auditor to assess the work of the actuary and the impact on the Council's accounts. Along with other Greater Manchester authorities, we identified an issue about information supplied by the Pensions Authority that has led to an additional disclosure in the Council's accounts relating to the valuation of assets.

### Draft representation letter

15 Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that:

- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
- you have approved the financial statements;
- you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
- you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
- you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
- you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
- you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council where relevant to the fair value measurements or disclosures;
- you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
- you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
- cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.

16 Appendix 1 contains the draft of the letter of representation we seek from you.

### Accounting policies and financial reporting

17 We consider the qualitative aspects of your financial reporting. Table 2 contains the issues we want to raise with you.

**Table 2 Accounting practice and financial reporting**

Issue or risk	Finding
Joint working arrangements	We maintained a very close liaison with officers before and during the preparation of the accounts, and were able to resolve some difficult accounting issues at an early stage. We acknowledge that this is a very positive approach to dealing with complex accounting requirements.
Working papers and responses	Working papers were generally improved. In some cases we saw good evidence and received timely, good quality responses, for example in relation to the collection fund. However, in other areas, working papers were not available in a timely manner, and responses to audit queries were slow, partly due to the volume of queries raised. For example, some key payroll data was not provided by the payroll service until late in the audit.
Quality Assurance (QA)	Following last year's recommendation, officers undertook some internal QA and, where used, it was effective. However, the level of errors found indicate that there needs to be more effective QA, targeted more to the areas of high risk.

Recommendations
<b>R1</b> Strengthen the internal quality assurance arrangements.
<b>R2</b> Continue to improve the quality of the working papers.

**Errors in the financial statements**

- 18 We identified errors in the financial statements (other than those of a trivial nature) and reported these to management.
- 19 Management has agreed to adjust the financial statements for the errors identified in Appendix 2. However, because of the nature and extent of the mis-statements we believe that it is appropriate to report these to you. Several of these were material to the accounts.
- 20 The nature and number of all these errors is disappointing and has led to additional work and additional costs. This disappointment is shared by management.



## Financial statements and Annual Governance Statement

- 21 We are aware that some aspects of the accounts preparation are challenging, especially with the old financial system (LAFIS), and are more likely to be subject to errors, in part due to time pressures faced by officers. In these circumstances, it is vital to adhere to the project plan that facilitates early work. This should reduce the risk of errors and provide time for quality assurance prior to the approval of the accounts.

### Recommendations

**R3** Steps need to be taken to reduce the number and nature of errors in the accounts.

**R4** Specifically, adhere to the project plan so that wherever possible early work is undertaken to reduce time pressures and enable QA to be undertaken in all high risk areas.

### The audit report

- 22 Subject to satisfactory clearance of outstanding matters, we plan to issue an unmodified report including an unqualified opinion on the financial statements. Appendix 3 contains a copy of our draft report.

### Material weaknesses in internal control

- 23 Following the S11 recommendations made in January 2008 about the lack of regular bank reconciliations, resources were allocated to the task, and we were able to agree the reconciliation as at 31 March 2008.
- 24 However, from 1 April 2008, a new financial system was implemented and, following that, various technical difficulties have meant that there were no documented bank reconciliations from April to August 2008. Records of transactions have been kept in anticipation of the technical difficulties being resolved but these have not been fully actioned nor is there any evidence that the records, or the action taken, have been reviewed by senior staff.
- 25 We acknowledge that the introduction of Agresso is challenging but we are concerned that a key financial control has not been fully carried out in the period.

### Recommendation

**R5** Members should ensure that bank reconciliations are brought up to date without delay and regular reconciliations are undertaken as a priority.

- 26 We have not provided a comprehensive statement of all weaknesses which may exist in internal control, nor of all improvements which may be made. We have reported only those matters which have come to our attention because of the audit procedures we have performed.

### Other matters

- 27 There are no other matters that auditing standards require me to report to you.

# Value for money

- 28** We are required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. We assess your arrangements against 12 criteria specified by the Audit Commission. Our conclusion is informed by our work on Use of Resources, a scored judgement reported to the Audit Commission. Our conclusions on each of the 12 areas are set out in Appendix 4 for completeness.
- 29** We identified weaknesses in arrangements for securing value for money as detailed in Table 3 below.

**Table 3 Value for money conclusion: criteria where assessed as not adequate**

Criterion	Finding
The body has put in place arrangements to maintain a sound system of internal control	There is insufficient evidence that regular, documented bank reconciliations have been carried out.
The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Our conclusion is informed by work specified by the Audit Commission in relation to BVPIs. Our testing of selected PIs found weaknesses in the Council's challenge and scrutiny of the data that underpins them.

## **The body has put in place arrangements to maintain a sound system of internal control**

- 30** Paragraphs 23-25 give the background to the lack of a regular, documented bank reconciliation since April 2008. Action has now been taken to address the technical difficulties and we expect this issue to be resolved more or less immediately.

## **The Body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.**

- 31** Mechanisms to monitor the quality of published information are in place at the Council. However, we found that there are weaknesses in the implementation of those mechanisms.

## Value for money

- 32** A review of selected Performance Indicators (PIs) as part of this year's Data Quality review indicates weaknesses in the Council's challenge and scrutiny of the data that underpins them. Specific examples include:
- no in-year audit of the data that supports BV165 (pedestrian crossings) following qualification of the PI the previous year;
  - misinterpretation of guidance relating to BV222a (early years), resulting in an unchallenged three-fold overstatement of performance during 2007/08; and
  - inadequate Council scrutiny of the composition of data underpinning BV212 (voids), where exception rules and manual manipulation of data has given rise to unchecked errors.
- 33** The Council's contract targets with third party organisations are supported by the performance management team. However, there is little evidence in practice that the Council checks, for its own purposes, the quality of the data being submitted by those organisations and which is subsequently reported to members.
- 34** There is also, in our view, insufficient formal data quality training for those charged with the responsibility of collating data for the PIs.

### Recommendation

**R6** Put arrangements in place to ensure that the data reported to members is accurate and in line with guidance.

- 35** We therefore propose to issue a qualified conclusion stating the Council had adequate arrangements for securing economy, efficiency and effectiveness, except in the two areas highlighted above. Appendix 3 contains the wording of our draft report.

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# Formal audit powers

36 We have:

- a power to issue a public interest report. We do so where we believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
  - making a decision that might give rise to unlawful expenditure; or
  - taking an unlawful course of action that would give rise to a loss; or
  - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Council.

37 We have not exercised these powers.

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# Independence

- 38 The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 39 We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 40 We communicate to you:
- any relationships between us and the [Council/Authority], its members and senior management that might affect our objectivity and independence and any safeguards put in place;
  - total fees charged to you for audit and non-audit services; and
  - our arrangements to ensure independence and objectivity.

## Relationships with the Council

- 41 We have identified no relationships that might affect objectivity and independence.

## Audit fees

- 42 Our fee proposals contained in the Audit Plan for 2007/08 are shown in the table below.

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**Table 4      Audit fees**

	<b>Plan 2007/08</b>	<b>Actual 2007/08</b>
Financial statements and Annual Governance Statement	£181,600	See para 43
Value for Money	£156,950	See para 43
National Fraud Initiative	£1,200	£1,200
Inspection	£22,120	£22,120
Total Audit and Inspection Fees	£361,870	

- 43 Because we needed to gain additional assurance on the financial statements and our Use of Resources judgement, we have agreed with the Director of Finance that an additional fee is appropriate, to reflect the actual work that needed to be carried out to meet our statutory responsibilities. We will discuss the out turn with the Director of Finance and report any changes to the Audit Committee.

- 44 Our arrangements to ensure independence and objectivity
- 45 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 5.

**Table 5 Arrangements to ensure independence and objectivity**

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> <li>• do not hold a financial interest in any of our audit clients;</li> <li>• may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and</li> <li>• may not enter into business relationships with UK audit clients or their affiliates.</li> </ul> <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> <li>• the general requirement to carry out work independently and objectively;</li> <li>• safeguarding against potential conflicts of interest;</li> <li>• acceptance of additional (non-audit) work;</li> <li>• rotation of key staff;</li> <li>• other links with audited bodies;</li> <li>• secondments;</li> <li>• membership of audited bodies;</li> <li>• employment by audited bodies;</li> <li>• political activity; and</li> <li>• gifts and hospitality.</li> </ul>
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

# Appendix 1 – Draft management representation letter

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## Letter of Representation - DRAFT

To:

Mark Heap, District Auditor

The Audit Commission, Aspinall House, Aspinall Close, Middlebrook, Horwich, Bolton BL6 6QQ,

Dear Mark

### **Oldham Council - Audit for the year ended 31 March 2008**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other chief officers of Oldham Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2008. All representations cover the Council's accounts included within the financial statements.

#### **Compliance with the statutory authorities**

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

#### **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 Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Executive meetings, have been made available to you.

#### **Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or 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; or

- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Law, regulations, contractual arrangements 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 Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### **Fair values**

I confirm that the presentation and disclosure of the fair value measurements of material assets, liabilities and components of equity are in accordance with the financial reporting framework.

The measurement methods and significant assumptions used in determining fair value have been applied on a consistent basis, are reasonable and appropriately reflect the best estimate of fair value of assets and liabilities required to be disclosed by these standards.

### **Assets**

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

### **Compensating arrangements**

The Council has a compensating arrangement between its bank account, including schools bank accounts. There are no other compensating balancing arrangements with any of our cash or investment accounts.



## Appendix 1 – Draft management representation letter

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

### Related party transactions

I confirm the completeness of the information disclosed 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.

### Post balance sheet events

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

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

Signed on behalf of Oldham Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 29 September 2008.

Signed

Name

Position

Date

## Appendix 2 – Summary of adjusted misstatements

Description of error	Accounts effected	Value of error £Million
Prior Period Adjustment	FARA	47
Land values not taken out of transfer of assets to PFI provider	Usable Capital receipts	90
	Fixed Assets	15
	Current Debtors	58
Misclassification of a long term investment as short term	Short and Long Term Investments	5
Cash Flow	DWP Grants	19
Misclassification of government grants	Other government grants	
Incorrect accounting treatment of premiums and discounts arising from the restructuring of debt	Long Term Borrowings Financial Instruments Adjustments account	9
Government Grants Deferred accounts	Note 45 Grants applied in year Transferred to revenue	3.5
Grant received not impaired to reflect impairment of the asset	Government Grants Deferred Income and Expenditure Capital Adjustment Account	5.2
Completed projects not moved from Assets under Construction	Assets under construction Other Land and Buildings	13.9
Group accounts - inter company balances not removed	Group Debtors and Creditors	Value currently unknown

## Appendix 2 – Summary of adjusted misstatements

Description of error	Accounts effected	Value of error £Million
Group accounts	Creditors	19
Errors in the brought forward figures	B/fwd land and buildings	5
	B/fwd Pensions liability	4
	B/fwd GGDA	9
	B/fwd pensions reserve	13
Related Party transactions	Note 21 Related Party transactions	25
Double counting in preparation of the note and prior year transactions in the note		
Fair Values	Note 48 Fair values of Assets and liabilities	
Inclusion of government taxation debtors and creditors	Debtors	35
	Creditors	16
Long term borrowings - note 33 needs to be amended for premiums and discounts	Note 33	9

# Appendix 3 – Independent auditor's report to the Members of Oldham Council

## **Opinion on the financial statements**

I have audited the Council and Group accounting statements and related notes of Oldham Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Council and Group accounting statements comprise the Council and Group Income and Expenditure Account, the Council Statement of the Movement on the General Fund Balance, the Council and Group Balance Sheet, the Council and Group Statement of Total Recognised Gains and Losses, the Council and Group Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Oldham 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 Director of Finance and auditor***

The Director of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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 Council and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Council and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

## Appendix 3 – Independent auditor's report to the Members of Oldham Council

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures

I read other information published with the Council and Group accounting statements, and consider whether it is consistent with the audited Council and Group accounting statements. This other information comprises the Explanatory Foreword and the Financial Summary by the Director of Finance. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Council and Group accounting 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 Council and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the Council and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Council'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 Council and Group accounting statements and related notes 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 Council and Group accounting statements and related notes.

### **Opinion**

In my opinion:

- The Council financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year then ended.

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

#### *Authority's Responsibilities*

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

#### *Auditor's Responsibilities*

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council 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 Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### *Conclusion*

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Oldham Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008, except that it did not put in place arrangements:

- to monitor the quality of its published performance information, and to report the results to members;
- to maintain a sound system of internal control.

#### *Best Value Performance Plan*

I have issued our statutory report on the audit of the authority's best value performance plan for 2007/08 in November 2007. I did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

## Appendix 3 – Independent auditor's report to the Members of Oldham Council

### 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.

Mark Heap  
District Auditor  
Audit Commission  
Aspinall House  
Aspinall Close  
Middlebrook  
Horwich  
Bolton  
BL6 6QQ

Date:

# Appendix 4 – Value for money criteria

## Value for money criteria

- 1 The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its use of resources.
- 2 The Code criteria are linked to the use of resources assessment (UoR) key lines of enquiry (KLoEs). A score of Level 2 or higher under the KLoEs will result in an assessment that the Council has adequate arrangements in place for the purposes of the Code criteria. The Code criteria and the linked KLoEs are shown below.

Code Criteria	Description	Criteria met?
1	The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Yes
2	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
3	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
4	The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	No



## Appendix 4 – Value for money criteria

Code Criteria	Description	Criteria met?
5	The body has put in place arrangements to maintain a sound system of internal control.	No
6	The body has put in place arrangements to manage its significant business risks.	Yes
7	The body has put in place arrangements to manage and improve value for money.	Yes
8	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
9	The body has put in place arrangements to ensure that its spending matches its available resources.	Yes
10	The body has put in place arrangements for managing performance against budgets.	Yes
11	The body has put in place arrangements for the management of its asset base.	Yes
12	The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Yes

## Appendix 5 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R1 Strengthen the internal quality assurance arrangements.	3				
8	R2 Continue to improve the quality of the working papers.	3				
9	R3 Steps need to be taken to reduce the number and nature of errors in the accounts.	3				
9	R4 Specifically, adhere to the project plan so that wherever possible early work is undertaken to reduce time pressures and enable QA to be undertaken in all high risk areas.	3				
9	R5 Members should ensure that bank reconciliations are brought up to date without delay and regular reconciliations are undertaken as a priority.	3				
11	R6 Put arrangements in place to ensure that the data reported to members is accurate and in line with guidance.	3				

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, covering the £180 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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