Grant Thornton

Audit Findings

Year ending 31 March 2018

Oldham Council

July 2018

Contents

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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 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

Headlines

This table summarises the key issues arising from the statutory audit of Oldham Council and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion: • the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income for the year, and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed on site during June and July and our findings are summarised on the following pages. The draft 2017/18 statement of accounts presented for audit showed an underspend of £0.15 million on the Council's service income and expenditure and net cost of services expenditure of £197.3 million. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 16 July 2018, a draft of which is detailed in Appendix D. The outstanding items include: • receipt of management representation letter; and • review of the final set of financial statements. We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Oldham Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 12 to 14.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • certify the closure of the audit	We have not exercised any of our additional statutory powers or duties. We do not expect to be able to certify the conclusion of the audit yet as there is an outstanding objection to the 2016/17 financial statements that we are in the process of finalising.

Acknowledgements

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

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the component of the group based on a measure of materiality considering this as a percentage of total group assets and revenues. This is to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that the Miocare subsidiary is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level.
- An evaluation of the Council's internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 16 July 2018. A draft of version of our report is included in Appendix D. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan for the Council We have now also included materiality for the Group. We detail in the table below our assessment of materiality.

	Group Amount (£m)	Council Amount (£m)	Qualitative factors considered
Materiality for the financial statements	£11.1	£11	Materiality is based on gross revenue expenditure (2% benchmark) reflects our assessment of risk
Performance materiality	£8,35	£8.26	Reflects 75% of financial statement materiality (standard benchmark based on risk assessed knowledge of potential for errors arising)
Trivial matters	£0.55	£0.55	Reflects 5% of financial statement materiality (standard benchmark for reporting any adjusted items)
Materiality for specific transactions, balances or disclosures	£0.05	£0.05	Senior officer remuneration due to the public interest in the disclosures and related party transactions due to the significance to the other party.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	**The revenue cycle includes fraudulent transactions** Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Oldham Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • The culture and ethical frameworks of local authorities, including Oldham MBC, mean that all forms of fraud are seen as unacceptable Our audit work has not identified any issues in respect of revenue recognition.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	**Auditor commentary** We have undertaken the following work in relation to this risk • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of journal entry processes • review of entity controls • review of unusual significant transactions 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.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
3	**Valuation of property, plant and equipment (PPE)** The Council revalues its PPE on a rolling basis over a five yearly basis. The Code requires that the Council ensures that the carrying value is not materially different from the current value at the financial statements date. This represents a significant estimate by management in the core financial statements and the group accounts. This due to the significant value of PPE in the financial statements and annual revaluations. The Council's financial statements include £52.9 million of revaluation movements, of which £50.9 million is in respect of Land and Buildings. We therefore identified the valuation of property, plant and equipment, in particular Land and Buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** Our audit work included, but was not restricted to: • Updating our understanding of the processes put in place by management to ensure the revaluation measurements are correct and evaluating the design of the associated controls • Evaluating the competence, capabilities and objectivity of the valuation expert (the valuer) • Challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding • Assessing the overall reasonableness of the valuation movements • Evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • Evaluating the Council's considerations of any relevant indicators of asset impairment The Council's accounting policy on valuation of PPE is shown in note 34 (1.2) to the core financial statements and related disclosures are included in note 17 to the core financial staements. **Key observations** We obtained sufficient audit assurance to conclude that: • the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and • the valuation of property disclosed in the financial statements is reasonable.
4	**Valuation of the net pension fund liability** The Council's net pension fund liability as reflected in its balance sheet represents a significant estimate in the core financial statements and group accounts. This is due to the significant value and complexity of the underlying assumptions used. We therefore identified valuation of the Council's net pension fund liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** Our audit work included, but was not restricted to: • Gaining an understanding of the processes and controls put in place by management to ensure that the Council's net pension fund net liability is not materially misstated and evaluating the design of the associated controls • Evaluating the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • Undertaking procedures to confirm the reasonableness of the actuarial assumptions made • Considered the adequacy, completeness and relevance of the source data provided to the pension fund actuary by the pension fund administering authority on behalf of the Council • review the reasonableness of the pension fund gross asset valuation and the Council's share thereof

Significant audit risks (continued)

	Risks identified in our Audit Plan	Commentary
4	**Valuation of the net pension fund liability (continued)** The Council's net pension fund liability as reflected in its balance sheet represents a significant estimate in the core financial statements and group accounts. This is due to the significant value and complexity of the underlying assumptions used. We therefore identified valuation of the Council's net pension fund liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	The Council's accounting policy on the valuation of the net pension fund liability is shown in note 34 (1.10) to the core financial statements and related disclosures are included in note 30 to the core financial statements and note G4 to the group accounts. **Key observations** We obtained sufficient audit assurance to conclude that: • the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and • the valuation of the Council's net pension fund liability disclosed in the financial statements is reasonable

Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
5	**Employee remuneration** Payroll expenditure represents a significant percentage of the Council's operating expenses. As the payroll expenditure comes from a number of individual transactions and there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention	**Auditor commentary** We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested a sample of employee expenses to staff records, pay rates and classification in the general ledger • 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 Our audit work has not identified any significant issues in relation to the risk identified.
6	**Operating expenses** Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of non-pay expenses as a risk requiring particular audit attention: • Creditors understated or not recorded in the correct period (Operating expenses understated)	**Auditor commentary** We have undertaken the following work in relation to this risk: • evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested a sample of expenditure ensuring valid spend and appropriate categorisation within net cost of services headings in the comprehensive income and expenditure statement • tested a sample of payables and accrued expenditure including reviewing post year end invoices and payments **Audit cut off error** Our testing of a sample of 15 expenditure items in the first month of 2018/19 identified one item for £7,350 which should have been accrued for in 2017/18. This error was identified in a services department that has a net revenue expenditure of approximately £4.3m.and was due to the late receipt of the invoice in May 2018. The Council subsequently completed a further test on 20 additional after date items with a focus on similar expenditure to the initial incorrect posting. The Council found these were all correctly included in the appropriate period and after substantiating their results we are satisfied that there is not a wider issue with correct posting of invoices across the year end.

Reasonably possible audit risks (continued)

	Risks identified in our Audit Plan	Commentary
7	**Private finance schemes (PFI)** The Council has seven PFI schemes with various associated accounting complexities. We identified the accuracy of accounting for the PFI schemes as an area requiring particular audit attention.	**Auditor commentary** We have undertaken the following work in relation to this risk: • gained an understanding of the Council's systems for calculating, and accounting for its PFI schemes • tested entries in the accounts to underlying supporting evidence

Accounting policies

Assessment
- 🔴 Marginal accounting policy which could potentially be open to challenge by regulators
- 🟠 Accounting policy appropriate but scope for improved disclosure
- 🟢 Accounting policy appropriate and disclosures sufficient

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	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. 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: • the Council will comply with conditions attached to the payment • the grants or contributions will be received 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.	• The Council's accounting policy is appropriate under IAS 18 Revenue and CIPFA's Code of Practice on Local Government Accounting 2017/18 • 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.	Green
Judgements and estimates	Critical judgements include: • recognition of school assets • group boundaries • classification of Investment properties Major sources of estimation uncertainty include • business rates appeals provision • impairment of debt • valuation of the shareholding in Manchester Airport Holdings Ltd (MAHL) • Net pensions liability • PFI implied interest rate • PPE useful economic lives and depreciation • insurance provision	• The Council has appropriately disclosed its critical judgements and sources of estimation uncertainty in notes 36 and 37 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.	Green
Going Concern	The Director of Finance, s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2017/18 financial statements.	Green
Other accounting policies	We have reviewed the Council's accounting policies against the requirements of the CIPFA Code of Practice.	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	Green

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**	• We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period that affect our audit opinion and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed
3	**Matters 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**	• A standard letter of representation has been requested from the Council. The letter of representation is being presented at the Audit Committee on 16 July 2018.
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to the Council's bank and year end investments. We received positive confirmations for these.
6	**Disclosures**	• The details of changes to disclosures are set out in the adjustments schedule in Appendix A. There were no significant amendments.
7	**Audit evidence and explanations**	• All information and explanations requested from management were provided.
8	**Significant difficulties**	• We did not have any significant difficulties in completing our audit work. The accounts closedown and production of draft accounts were efficiently done in advance of the required deadline and supported with timely and detailed working papers.

Other responsibilities under the Code

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

	Issue	Commentary
1	**Other information**	• We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect, a draft of our report is set out in Appendix D.
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • 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 other information of which we are aware from our audit • if we have applied any of our statutory powers or duties We have nothing to report on these matters.
3	**Specified procedures for Whole of Government Accounts**	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 of £500 million we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. The work is not yet completed and this work is planned to be completed in August 2018.
4	**Certification of the closure of the audit**	We do not expect to be able to certify the completion of the 2017/18 audit of Oldham Council in our auditor's report, as detailed in Appendix D as there is an outstanding objection to the 2016/17 financial statements that we are in the process of finalising. The objection relates to the Council's Lender Option, Borrower Option (LOBO) loan borrowing in the accounts. In addition we cannot certify completion of the 2017/18 audit until we have finalised our work on the WGA as noted at reference 3 above.

Value for Money

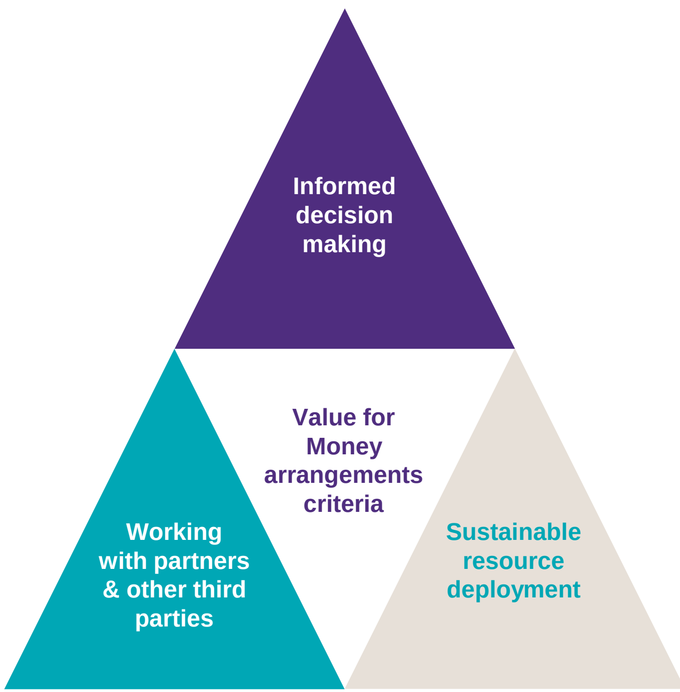
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2018 and identified a significant risks in respect of health and social care integration using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated February 2018.

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

The significant risk is set out below.

Health and social care integration: working with partners

Oldham Council and CCG continue to work together to redesign the way health and social care services are delivered across the borough. They are working with Pennine Care Foundation Trust and Pennine Acute Trust to establish joint commissioning arrangements through a Local Care Organisation.
The Council and CCG have introduced interim operating arrangements with the intention of creating a pooled budget with a Strategic Joint Commissioning Board.

Working with partners from different organisations and service areas with potentially conflicting priorities, the project is complex and high profile.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment

Value for Money

Our work

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 risk that we identified in the Council's arrangements and also highlight our findings from other key considerations used to inform our VFM conclusion. In arriving at our conclusion, our main considerations were:

- emerging plans for the future of joint health and social care commissioning and development of integrated care across the Oldham borough
- the delivery and management of the Council's financial performance including medium term planning and future savings challenges.

We have set out more detail on the risk we identified, the results of the work we performed and the conclusions we drew from this work on the following pages.

We reviewed the 2017/18 financial outturn and examined the Council's future financial position as set out in the Revenue Budget 2018/19 and Medium Term Financial Strategy (MTFS) 2018/19 to 2021/22. We have considered how the Council is working as part of its interim operating arrangements within its Integrated Commissioning Partnership to develop future plans to redesign the way health and social care services are delivered across the borough.

Health and Social Care Integration

The Council and CCG's executive management teams have been developing the structures and processes to aim to successfully deliver the Oldham Locality Plan. The successful delivery of the Plan will ensure improved health and social care services for residents and patients and meet an initial forecast budget gap of £123 million over the period to 2020/21. Further details are outlined on the following page.

Financial position

The Council achieved a £0.15 million underspend on revenue activity and has general fund and earmarked reserves of £106 million at 31 March 2018. The Council reduced its general fund reserve by £0.753 million as part of its budget strategy which is now £13.9 million, the Council's approved risk assessed recommended level. The general fund earmarked reserves balance has decreased by £2.83 million to £92.005 million, this includes movements in the schools balances and the revenue grant reserve (not available for general use). The Council has set aside earmarked reserves to support future budgets and provide financing for future expenditure plans.

The Council has set a balanced revenue budget for 2018/19 which forms the first year of medium term planning through to 2021/22 using latest economic projections on funding and cost pressures. The MTFS identifies that after use of reserves of £7.2 million to balance the 2018/19 budget there is a significant budget gap of £17.9 million in 2019/20 and total cumulative budget gap of £33.27 million from 2019/20 to 2021/22.

The final capital outturn for 2017/18 was £25.8 million against a planned spend of £69.78 million. The underspend was mainly due to re-phasing of several schools schemes and some re-profiling of regeneration projects.

The MTFS is continuously refined as forecasting estimates become clear and the 2018/19 budget recognises ongoing expenditure pressures in Adults (£9.1million) and Children's Social Care (£8 million).

The Council recognises there is clearly a lot to do to ensure financial balance over the medium term and has developed a number of medium term strategies designed to contribute to the required budget reductions. It is working on several key service developments including health and social care devolution, working with partners to build on existing collaborative working arrangements and improvements to information technology.

The Council continues to develop future opportunities for Oldham in the context of the challenging financial landscape. It has a track record of meeting its revenue budget and identifying areas of budget reductions to secure the delivery of public services.

Overall conclusion

Based on the work we performed to address the significant risk, 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 draft text of our report, which confirms this can be found at Appendix D.

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.

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	Findings	Conclusion
1	**Health and Social Care Integration: working with partners** Oldham Council and CCG continue to work together to redesign the way health and social care services are delivered across the borough. They are working with Pennine Care Foundation Trust and Pennine Acute Trust to establish joint commissioning arrangements through a Local Care Organisation. The Council and CCG have introduced interim operating arrangements with the intention of creating a pooled budget with a Strategic Joint Commissioning Board. Working with partners from different organisations and service areas with potentially conflicting priorities, the project is complex and high profile.	Oldham Council and CCG jointly developed the Oldham Locality Plan covering the period 2016/17 to 2020/21. The Plan sets out the vision to improve services and health outcomes for patients in the borough whilst closing an original £123 million forecast financial gap over the period. The Council and CCG's executive management teams have been developing the structures and processes to aim to successfully deliver the Plan. During 2017/18 finance officers across the Council, CCG and other NHS colleagues have jointly worked to drive forward the financial benefits of integrated working. The securing of £21.4 million Greater Manchester (GM) transformation funding with the GM Health and Social Care Partnership during 2017 is a key development in increasing the pace and scale of delivery. Work is progressing between the Council, CCG and key health providers as part of interim operating arrangements to finalise the structure of a Local Care Organisation which will be core to future delivery. The Council and CCG will work initially under an alliance arrangement 'Oldham Cares' with a pooled budget and s75 agreement and with a strategic joint Commissioning Partnership Board. The Interim Commissioning Partnership have agreed an Oldham Cares outcome framework to inform commissioning priorities and work is underway to test areas for early integrated commissioning in 2018/19. Work to date has also included a comprehensive review of the health, care and wellbeing estate as a key enabler of change. We concluded from our review that the Council is developing comprehensive plans to facilitate the health integration agenda.	**Auditor view** The Council has proper arrangements for working with partners effectively to support the delivery of its strategic priorities.

Independence and ethics

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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Audit and Non-audit services

The independence safeguards for those non-audit and audited related services undertaken for the Council are set out in the table below.

Service	£	Potential threats	Safeguards
Audit related			
Certification of Teachers Pension Return	tbc	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is in the region of £4,600 (to be confirmed for 2017/18) in comparison to the total fee for the audit of £135,621 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
Miocare Group CIC accounts preparation	19,540	Self review	The work is being completed by a separate commercial audit team who have no input into the audit of the Council's accounts.
Provision of place analytics research and intelligence on socio-economic data.	20,000	Self review	The work is being completed by a separate Place Analytics team with no impact on the audit of the Council's accounts.

Audit Adjustments

Misclassification and disclosure changes

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.

Disclosure omission	Detail	Adjusted?
Note 24 Creditors	The Council has reclassified some of the analysis between other entities and individuals (£1,400k) to central government bodies (£715k) and other local authorities (£685k).	✓
Note G4 Group defined benefit pension schemes Pension scheme assets	The Council updated the figures within the analysis of pension scheme assets for 31 March 2018 to correct this to a value of £989,855k (previously incorrectly included as £946,786k)	✓
Various	A small number of minor presentational and disclosure amendments have been made to the final financial statements	✓

Fees

We confirm below our final fees charged for the audit

Audit Fees

	Proposed fee	Final fee
Council Audit	£135,621	£135,621
Grant Certification	£13,361	TBC
Total audit fees (excluding VAT)	**£148,982**	**TBC***

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). 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'.

* The 2017/18 certification fees are indicative. We will agree this once PSAA confirms this as final.

Non Audit Fees

Fees for other services	Fees £'000
Audit related services: • Teachers pensions return certification	Tbc**
Non-audit services • Miocare Group CIC and it subsidiaries audit	19,540
• Place Analytics socio-economic research data	20,000
	£39,540

** the fees for 2016/17 were £4,600. We will confirm the fee for 2017/18 once the Teachers Pensions Agency provide updated certification guidance.

Audit opinion

Independent auditor's report to the members of Oldham Council

Report on the Audit of the Financial Statements

Opinion

Our opinion on the financial statements is unmodified
We have audited the financial statements of Oldham Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement in the Housing Revenue Account, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and all notes to the financial statements including the summary of significant accounting policies to the core financial statements and the group accounts. 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 2017/18.
In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to
This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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 Authority's 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.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

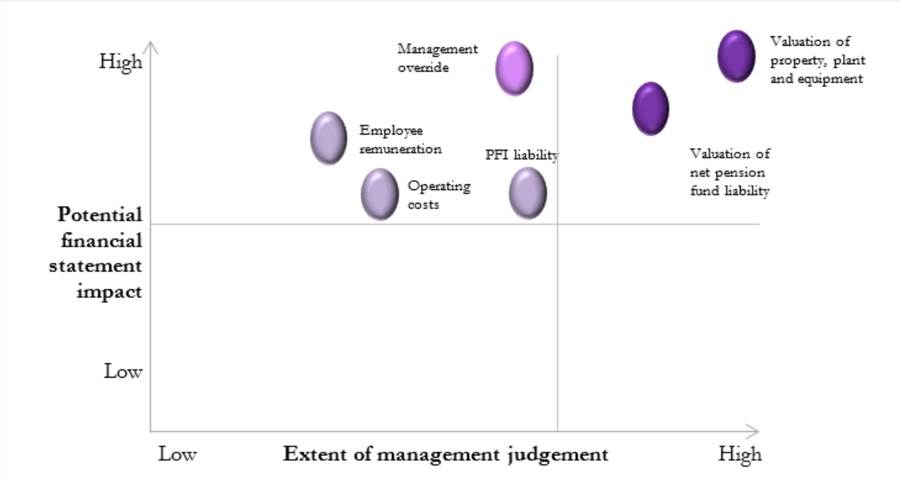
- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £11.1 million, which represents 2% of the group's gross expenditure ;
- Key audit matters were identified as
  - Valuation of property, plant and equipment
  - Valuation of net pension fund liability
- We performed a full scope audit of the Authority and analytical procedures on Miocare Group Community Interest Company (CIC) (its wholly owned subsidiary)

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group and Authority	How the matter was addressed in the audit – Group and Authority
Risk 1 Valuation of property, plant and equipment (PPE) **The Authority revalues its property, plant and equipment on a rolling basis over a five yearly basis to ensure that the carrying value is not materially different from current value at the financial statements date. This represents a significant estimate by management in the core financial statements and the group accounts due to the significant value of property and annual revaluations.** **The Authority's financial statements include £52.9 million of revaluation movements, of which £50.9 million is in respect of Land and Buildings.** **We therefore identified the valuation of property, plant and equipment, in particular Land and Buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.**	Our audit work included, but was not restricted to: • updating our understanding of the processes put in place by management to ensure the revaluation measurements are reasonable and evaluating the design of the associated controls • evaluating the competence, capabilities and objectivity of the valuation expert (the valuer); • challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • assessing the overall reasonableness of the valuation movements; • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • revaluating the Authority's consideration of any relevant indicators of asset impairment. The Authority's accounting policy on valuation of property, plant and equipment is shown in note 34 (1.2) to the core financial statements and related disclosures are included in note 17 to the core financial statements. Key observations We obtained sufficient audit assurance to conclude that: • the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and • the valuation of property, plant and equipment disclosed in the financial statements is reasonable.

Key Audit Matter – Group and Authority	How the matter was addressed in the audit – Group and Authority
Risk 2 Valuation of the net pension fund liability **The Authority's net pension fund liability, as reflected in its balance sheet, represents a significant estimate in the core financial statements and group accounts due to its significant value and the sensitivity of the underlying assumptions made.** **We therefore identified valuation of the Authority's net pension fund liability as a significant risk, which was one of the most significant assessed risks of material misstatement.**	Our audit work included, but was not restricted to: • gaining an understanding of the processes and controls put in place by management to ensure that the Authority's net pension fund liability is not materially misstated and evaluating the design of the associated controls; • evaluating the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • undertaking procedures to confirm the reasonableness of the actuarial assumptions made • considered the adequacy, completeness and relevance of the source data provided to the pension fund actuary by the pension fund administering authority on behalf of the Authority • assessed the reasonableness of the pension fund gross asset valuation and the Authority's share thereof. The Authority's accounting policy on the valuation of the net pension fund liability is shown in note 34 (1.10) to the core financial statements and related disclosures are included in note 30 to the core financial statements and note G4 to the group accounts. Key observations We obtained sufficient audit assurance to conclude that: • the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and • the valuation of the Authority's net pension fund liability disclosed in the financial statements is reasonable.

Our application of materiality

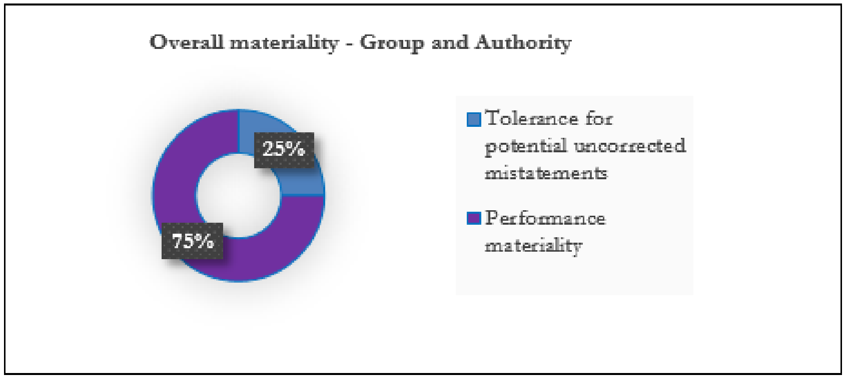
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Authority
Financial statements as a whole	£11.1 million which is 2% of the Group's total gross expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Group has expended its revenue and other funding. In previous years the Authority has produced its financial statements in advance of most other local authorities. The Authority's timetable for producing its financial statements is now in line with other local authorities which, in our view, has reduced the audit risk. Materiality for the current year is therefore at a higher percentage level of gross expenditure than we determined for the year ended 31 March 2017.	Materiality of £11.0 million was based on 2% of the Authority's 2016/17 gross expenditure (net of one off items), which was higher than the level we determined for the year ended 31 March 2017. Although this is a slightly lower percentage of the Authority's 2017/18 gross expenditure (1.98%) this materiality level is considered to be appropriate as it represents 99% of group materiality. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality	75% of financial statement materiality

Materiality Measure	Group	Authority
Specific materiality		Disclosure of senior officers' remuneration and exit packages (based on final reported values, over £50,000 due to public interest in disclosures). Related party disclosures (over £50,000 and also the significance of the value to the other party which may be lower when related to individuals).
Communication of misstatements to the Audit Committee	£550,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£550,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

Evaluation by the group audit team of identified components to assess the significance of each component and to determine the planned audit response based on a measure of materiality. A full scope or analytical approach was taken for each component based on their relative materiality to the group and our assessment of audit risk;

Gaining an understanding of and evaluating the Authority's internal controls environment including its financial and IT systems and controls;

Full scope audit procedures on the Authority whose transactions, due to its relative size within the Group, represent all of the group's material income, expenditure, assets and liabilities. Our testing covered all of the Authority's material balances, transactions and disclosures;

Performing analytical procedures on Miocare Group CIC. This wholly owned subsidiary's transactions represent less than 1% of the group's income, expenditure its total assets.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 2 to 160, other than the group and Authority financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Our opinion on other matter required by the Code of Audit Practice is unmodified

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:
we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 34, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. 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 2017/18, which give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by group or the Authority.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by Public Sector Audit Appointments on 26 July 2012. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years.

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

We provided the following services to the Authority:

- Teachers' Pension 2016/17 return
- Place analytics research and intelligence on socio-economic data (by a separate advisory team)
- A separate audit team within Grant Thornton UK LLP provide audit services for the Miocare Group CIC.
- Our audit opinion is consistent with the additional report to the Audit Committee.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - *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 Local Audit and Accountability Act 2014 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 the Authority for the year ended 31 March 2018. 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 economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

In addition, we cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2018 until we have completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

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July 2018

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