

Auditor's Annual Report

Oldham Metropolitan Borough Council –
year ended 31 March 2023

March 2024



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Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Oldham Metropolitan Borough Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 28th March 2024. Our opinion on the financial statements was unqualified.



Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



Wider reporting responsibilities

The Council is below the threshold for detailed testing as set out by the NAO in their group instructions. We will report this to the group auditor in line with their instructions on completion of the audit. The NAO are in the process of selecting a sample of Councils below the threshold for detailed testing.

We are unable to issue our audit certificate until the NAO confirms whether the Council is included in this sample.

The Local Audit and Accountability 2014 Act gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on 28th March 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Our Audit Completion Report, presented to the Council's Audit Committee on 31 October 2023, and our follow up Audit Completion Letter provides further details of the findings of our audit of the Council's financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit.

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services



Governance - How the Council ensures that it makes informed decisions and properly manages its risks



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**
We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations**
We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	13	No	No	No
 Governance	16	No	No	No
 Improving economy, efficiency and effectiveness	19	No	No	No

3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to financial sustainability in 2022/23

The Council entered the 2022/23 financial year with the effect of the pandemic easing however there has been continued financial and operational challenges posed by the legacy of the Covid-19 pandemic particularly on Adult Social Care and Children's Social Care. All Covid related funding ceased at the end of 2021/22 therefore, the Council has had to address the pressures from its own resources. In addition, there have been other pressures in the year, including inflation impacting energy and general commodity prices, which has led to wage inflation. The Council's financial sustainability challenges from the legacy of the pandemic and economic issues will continue through the medium term and this places considerable pressure on the Council to maintain effective financial sustainability arrangements.

The Council's financial planning and monitoring arrangements

In March 2022 the Council set a balanced budget for the 2022/23 financial year with a total net budget for Council services of £274.9m. This required an increase in Council Tax of 3.99% (including 2% Adult Care precept). Throughout the year the Council regularly updated its budget forecast, enabling budgets to remain up-to-date in the fast-changing and uncertain operating environment. The final net budget reported for the year was £309.1m, the increase predominantly caused by Council tax energy rebate scheme. Within the original budget approved in March 2022, the Council had identified a budget reduction (savings) requirement of £6.3m alongside the use of £23.3m of reserves.

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

The Council approved £6.3m of budget savings from directorates, these are monitored on a month by month basis and reported to Cabinet quarterly. The monitoring includes a traffic light assessment of the risk that the savings plans can be delivered. During the year it was identified that a number of schemes were assessed as amber and red, and remedial action was taken to address the risk. At the outturn £3.4m of the savings were delivered.

The Council reported its revenue outturn position for 2022/23 as an overall overspend of £1.1m. During the year, the Council provided regular reports of its financial position to Cabinet between months 3 (June 2022) and 9 (December 2022). We have reviewed a sample of the reports presented for 2022/23. These reports were detailed and comprehensive and incorporate monitoring of the revenue budget, the capital programme and a wide range of other financial measures. The Council follows an established timetable for reporting to Cabinet which includes reporting to directorate management teams and the strategic management team.

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

The overspend in 2022/23 was mainly due to Children's Social Care, Place & Economic Growth and Adult Social Care, the drivers of the overspend is increasing demand due to homelessness, increased demand for children's social care placements, and care costs for individuals discharged from hospital, as the Hospital Discharge Programme ceased. The Council has in place a programme of change based around demand management. Income maximisation and Service review. For example, there is work in preventative services in targeted youth provision and early help service to work to keep families together.

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

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

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

The budget reduction requirement identified in the MTFS 2022/23 to 2024/25 for 2022/23 was £33.8m with a further £43.7m required in the following two years. In setting the 2022/23 budget and MTFS, the budget reduction requirement for the period 2022/23 to 2024/25 was £25.4m after the use of £29.5m of reserves and after applying other budget reduction schemes. The budget reports for each year are clear on the means by which the savings will be delivered and clearly articulate the size of the challenge the Council faces in the medium term.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

Council's arrangements and approach to 2023/24 financial planning

The Council's arrangements for the 2023/24 budget setting process largely followed the arrangements in place for 2022/23.

The budget for 2023/24 was approved at the February 2023 Council meeting. The Council set a balanced budget with a total net budget for Council services of £309.6m with an increase in Council Tax of 3.99% (including 2% Adult Care precept). The budget included £16.3m of budget reduction proposals and £12.9m use of reserves.

We have reviewed the supporting evidence relating to the preparation of the 2023/24 budget and these demonstrate that the arrangements are consistent with the previous year, detailed and robust and properly applied.

The budget reductions identified as part of the 2023/24 budget setting and medium term financial strategy were £7m for 2024/25, £1.1m for 2025/26, for the following two years there are no proposed budget reductions that will impact these years. These reductions are after the delivery of budget reductions approved in the 2021/22 and 2022/23 budgets, and the planned use of £15m of reserves to support the budget. These levels of budget reductions require the Council to continue to make difficult decisions on resource deployment and prioritisation. The continued use of reserves to underpin the budget is not sustainable in the long term.

The Council's approach to delivering a balanced budget includes the delivery of a transformation programme, this has been re-engineered during 2022/23 based on the updated corporate plan and the Council's approach to delivery of its new corporate objectives. These are based on demand management, income maximisation and service review. This is managed through the Change and Transformation Board and led by the deputy Chief Executive. The programme has identified the investment needed to deliver the long-term recurrent savings.

Overall the Council faces a challenging financial environment, that requires close monitoring of savings plans, awareness of the changing environment as demand for services continues to increase. The Council has planned to use earmarked reserves to invest in the transformation programme, however it should be noted that there cannot be continued reliance on reserves to balance the budget, as this is not sustainable in the long term.

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

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

The Council's risk management and monitoring arrangements

The Council has a well established risk management system in place and embedded in the governance structure of the organisation. The risk management arrangements incorporate service and directorate risk registers informed by detailed assessments of the key risks impacting on each area. These detailed registers inform the Council's corporate risk register which sets out the key strategic and corporate risks. The risk registers apply a risk score both before and after mitigation measures and enable the Council to manage the risks actively and take action where necessary. We have reviewed the risk management strategy along with examples of service risk registers and the corporate risk register. Our review confirms the strategy is clear and detailed, and the registers appear comprehensive, containing sufficient and appropriate detail for Council officers and members.

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

The Council has a team of internal auditors, led by the Head of Internal Audit and Counter Fraud, who provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by the Audit Committee prior to final approval. The audit plan is based on an assessment of risks the Council faces and is determined to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work is supplemented by ad hoc reviews in respect of suspected irregularities and other work to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2022/23 and 2023/24 and confirmed they are consistent with the risk based approach. The Council has comprehensive anti-fraud and corruption policies which are updated as required. In 2022/23 there was a significant focus of the Council's anti-fraud work was in implementing processes to minimise any loss on via Direct payments in Childrens and Adult Social care by monitoring client spending is in line with the agreed Support Plan.

Internal Audit progress reports are presented to each Audit Committee meeting, including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an opinion based on the work completed during the year. For 2022/23 the Head of Internal Audit concluded that an adequate level of assurance could be given that the Council's overall framework of governance, risk management and control remains appropriate and has been complied with. Whilst this reflected the significant impact of the pandemic, the annual report highlighted the significant improvements that continued to be made in key control areas.

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

Council arrangements for budget setting and budgetary control

The 2022/23 Budget Report was approved in March 2022, setting out the estimates of the financial challenge for the financial year 2022/23 and following years. During 2022/23, this was updated regularly and the likely financial position for 2022/23 and 2023/24 was reported to Cabinet. Monthly financial monitoring reports were prepared for 2022/23 which highlighted key issues which may impact on 2023/24, with the financial monitoring reports presented to senior managers, Members and then to Cabinet for approval. It was noted throughout the year that there was significant pressures arising from Childrens Social Care and Community Health & Adult Social Care. This was monitored closely with actions being taken to mitigate the impact. During the summer months of 2022, there were a series of officer and member workshops to consider the updated financial position and to agree budget reduction proposals for consultation with staff and the public.

Members were engaged closely in discussions about the level of Council Tax and have appropriate reports on the council tax base information. Members agreed to use the opportunity to increase this by the maximum of 2%. This was linked to a pledge to support the adoption of the Living Wage Foundation National Living Wage for adult social care providers. This resulted in a final increase of 3.99%.

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

There is a detailed budget monitoring timetable to which the Finance service works to ensure that reports are timely. Overall financial monitoring reports are prepared encompassing the whole Council position for both Capital and Revenue. During 2022/23, these budget monitoring reports were prepared for Cabinet for months 3 through to 9. The format of the report has been subject to review to ensure relevant information was available.

Budget monitoring reports were also presented to the Performance and Value for Money Overview and Scrutiny Committee for consideration.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Council arrangements for budget setting and budgetary control (continued)

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

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Budget monitoring reports were also presented to the Performance and Value for Money Overview and Scrutiny Committee for consideration.

Council decision making arrangements and control framework

The Council's decision making arrangements are established in the Council Constitution. Decisions are either made by members (Council, Cabinet, or other decision making committees) or delegated to Cabinet portfolio leads, or officers.

All Cabinet and Key Decision reports include Statutory Officer Comments and Risks, and an assessment of financial impacts and other key impact areas such as human resources, IT and property. The Council has a range of overview and scrutiny committees that challenge and scrutinise Council decisions.

The Council operates an Audit Committee which has the appropriate status in the organisation to challenge management and obtain assurance on the operation of the internal control framework. The Committee has an agreed workplan and where necessary asks management to report on specific internal control issues. The Audit Committee met regularly throughout the year and routinely considered key reports on internal controls. During the year the Committee identified that it required additional assurance on the Council's partnership arrangements. Consequently a partnership dashboard was developed which identified and reported the potential risks to the Council from its partnership arrangements.

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

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

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

The Council prepares performance monitoring and financial monitoring reports which are presented to senior management, Cabinet and Overview & Scrutiny Committee. The overarching financial monitoring position is included in the performance reports. During 2022/23, financial monitoring reports provided information about the financial pressures being experienced. This highlighted new or increased service demand in some areas. These reports also focused on the continued impact of Covid-19, including the impact of the government initiatives and policies on the Council's financial and operational performance. These reports are also used to identify service delivery challenges, for example where increased costs are incurred to address service backlogs or underlying underperformance. Where such issues are highlighted through financial monitoring, the resources required as an investment to address this are identified. Performance reporting was revised through the year to take account of the circumstances.

The Council agrees and establishes a range of performance indicators for all directorates. These indicators are reviewed by services and reported initially to senior officers so that issues requiring action are understood including additional investment. Corporate performance reports are reported to senior management and members. During 2022/23, performance monitoring reports were prepared for the Performance and Value for Money Overview & Scrutiny Committee. We have reviewed a sample of these reports and this confirmed that they clearly articulate the Council's performance and contain appropriate and detailed information.

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

During 2022/23 performance updates are required from responsible officers at the end of each quarter, with a strict requirement for adherence to timelines. The business planning cycle has been closely aligned to the risk management process through work undertaken in 2021/22.

In addition to the corporate performance reporting, the Council has a range of internal performance and management information dashboards which enable it to evaluate performance and identify areas for improvement. For example Oldham safeguarding Children's Partnership dashboard, we have reviewed a sample of these dashboards and this confirmed that they clearly articulate the Council's performance and are appropriate for managing performance.

The Council's arrangements for effective partnership working

The Council monitors its delivery on key partnerships including an ongoing assessment of risk as set out in the Partnership Dashboard which reports regularly to the Audit Committee. This identifies both current issues and emerging issues, for example, where there are plans to set up new partnerships to deliver key future priorities. As at 31 March 2023 the assessment of risk on partnerships operated by the Council was reported as low. The Council's key partnerships include NHS Greater Manchester ICP (Integrated Commissioning Partnership) taking responsibility from Oldham Clinical Commissioning Group (CCG) and its wholly owned subsidiary company, MioCare Community Interest Company and Unity Partnerships Ltd. During 2022/23 the Council brought Unity Partnerships Ltd in-house.

Miocare is a Council owned company and works closely with the Council as its significant customer. There are key governance arrangements in place within the Council to ensure efficient oversight of the company including annual reports to Scrutiny Committees and the Council appointing Members to the company Board.

During 2022/23 the Council continued to work closely with the ICP to manage services with the significant impact of the Covid-19 pandemic on health and social care. The Council is party to a pooling of funds with the ICB and operates joint scrutiny arrangements to oversee the joint working arrangements. During 2022/23 some joint management responsibilities were in place across the Council and the ICP these remain unchanged from 2021/22. The Council has a joint Commissioning Partnership Board on which the Leader and Cabinet Members for Adult Social Care represent the Council. This Board oversees the pooled fund agreement and receives financial performance reports relating to the arrangement.

There has been an inspection of SEND and the Oldham Local Area Partnership in October 2023, which identified systemic failings, the report identifies that the partnership continues to be tied in legacy commissioning arrangements. In addition there is a lack of strategic oversight of priorities, clarity of responsibility. The Council in response to the findings of the report have developed a priority action plan, a review finds that the programme has established priority areas aligned to the findings of the external inspection, with owners and clear success criteria, timescales and monitoring of progress to date. The action plan now forms part of the overall SEND and Inclusion Improvement Programme that underpins the SEND and Inclusion strategy 2023-2027.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

The Council's arrangements for procurement and commissioning services

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

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

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

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

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

The work of other regulators

During the year the Council invited peers from the Local Government Association (LGA) to take part in a Corporate Peer Challenge. The findings of the review were published in January 2024 and highlighted positives such as the transformation of the town centre, clear corporate priorities and effective performance management.

The report also made nine recommendations for improvement particularly around the link between transformation and the improvement programmes, financial balance without reliance on reserves, and a review of the Oldham Plan and the way the Council works with partners and building the Council's brand further. In response to the recommendations the Council has developed an action plan which is being delivered over 2024/25. The findings and recommendations from the review have fed into the development of the Council Plan for 2024/25.

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

3. Commentary on VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



3. Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

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

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We will report to the group auditor in line with their instructions on completion of the audit. The NAO are in the process of selecting a sample of Councils below the threshold for detailed testing.

We are unable to issue our audit certificate until the NAO confirms whether the Council is included in this sample.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee on 20th July 2023. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£104,428	£125,673
Recurrent scope changes: Additional testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes as a result of changes in regulatory expectations	£22,175	-
Value for money work: Additional work arising from the change in the Code of Audit Practice	£12,500	£12,500
Additional requirements for Oldham MBC: Other additional costs related to Enhanced Audit Reporting	£5,625	-
In year additional work: new accounting standards Implementation of ISA315 (Revised)	-	£10,000
In year additional work: accounting for Infrastructure Assets	£15,000	-
In year additional work: Manchester Airport shares valuation	£2,000	£2,000
In year additional work: LGPS Pension work	£5,000	-
In year additional work: Group consolidation – consideration of Meridian investment	£5,000	-
In year additional work: Questions from LG elector	£8,000	-
In year additional work: Implementation of ISA540 (Revised)	-	£2,500
In year additional work: in respect of net pension asset ceiling	-	£10,000
Total Fees	£179,728	£162,673

We confirm that we have not undertaken any non-audit services for the Council in the year.



Appendix

A. Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Management override of controls	Description of the risk
	<p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	<p>Audit conclusion</p> <p>We completed our procedures as planned. There are no matters arising in respect of our work on management override of controls.</p>

A. Further information on our audit of the financial statements

Valuation of property, plant and equipment (Council)	<p>Description of the risk</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the current value at that date. The Council has adopted a rolling revaluation model which sees all such property, plant & equipment revalued in a five-year cycle. The valuation of property, plant & equipment involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. The Council employs a valuation expert to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at the current value at the balance sheet date. In addition, as the valuations are undertaken through the year there is a risk that the current value of the assets could be materially different at the year end. Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing (EUV-SH). The Social Housing adjustment factor is prescribed in government guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Council's area they can use their more accurate local factor. There is a risk that the Council's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence.</p>
	<p>How we addressed this risk</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the Council's instructions to the valuer. • Obtaining an understanding of the basis of valuation applied by the valuer in the year. • Obtaining an understanding of the Council's approach to ensure that assets not subject to revaluation in 2022/23 are materially fairly stated. • Obtaining an understanding of the Council's approach to ensure that assets revalued through 2022/23 are materially fairly stated at the year end. • Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations. • Using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2023. • Testing the accuracy of how valuation movements were presented and disclosed in the financial statements
	<p>Audit conclusion</p> <p>Our detailed testing identified a number of errors in the valuations used in the accounts however the new impact of these errors are not material. Further detail is provided in the section below. There are no other matters arising.</p>

A. Further information on our audit of the financial statements

Valuation of investment properties (Council)	Description of the risk
	<p>The CIPFA Code requires that where Investment Property assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The valuation of Investment Property involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. The Council employs valuation experts to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved.</p>
	<p>How we addressed this risk</p> <p>Our audit procedures will include:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the Council's instructions to the valuer. • Obtaining an understanding of the basis of valuation applied by the valuer in the year. • Obtaining assurance on the appropriateness of the methodology and assumptions adopted by the Council's valuer. • Comparing the valuation to our external valuation expert's estimate of the valuation. • Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations.
	<p>Audit conclusion</p> <p>We completed our procedures as planned. There are no matters arising in respect of our work on investment properties.</p>

A. Further information on our audit of the financial statements

Valuation of Council's and the Group's defined benefit pension liability (Council and Group)

Description of the risk

The net pension liability represents a material element of the Council and the Group balance sheet. The Council and its consolidated subsidiaries are admitted bodies of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2022. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's and the subsidiaries' overall valuations. There are financial assumptions and demographic assumptions used in the calculation of the valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's and the subsidiaries' employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the pension obligations are not reasonable or appropriate to the Council's or the subsidiaries' circumstances. This could have a material impact to the Council and Group net pension liability in 2022/23.

How we addressed this risk

Our procedures included:

- Obtaining an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary.
- Obtaining confirmation from the auditor of the Greater Manchester Pension Fund that the Pension Fund has designed and implemented controls to prevent and detect material misstatement. This includes the controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation of the gross asset and liability is complete and accurate.
- Evaluating and challenging the work performed by the Pension Fund auditor on the Pension Fund investment assets, and considering whether the outcomes would materially impact our consideration of the Council's share of Pension Fund assets.
- Reviewing the actuarial allocation of Pension Fund assets to the Council by the actuary, including comparing the Council's share of the assets to other corroborative information.
- Reviewing the appropriateness of the Pension Asset and Liability valuation methodology applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PwC, consulting actuary engaged by the National Audit Office.
- Agreeing the data in the IAS 19 valuation report provided by the Pension Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Audit conclusion

Our detailed testing has identified two errors.

The first relates to Oldham Council's allocated share of an error identified by the Greater Manchester Pension Fund (GMPF) auditor as part of their testing of pension assets.

The impact of this error is not material. Further detail on this error is outlined in the section below.

The other error relate to revised pension asset ceiling calculations. The Council received updated calculations from the actuary based on an indefinite life for the Council. The updated calculations for the Council have led to material adjustments in the financial statements.

A. Further information on our audit of the financial statements

Key areas of management judgement

Valuation of shareholding in Manchester Airport (Council)	Description of the management judgement <p>The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2023. The valuation is determined according to a methodology and applying assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements.</p>
	How our audit addressed this area of management judgement <p>Our approach to auditing the investment in Manchester Airport Holdings Limited includes the involvement of the Mazars in-house valuation team.</p> <p>The Mazars in-house valuation team reviewed the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.</p>
	Audit conclusion <p>We completed our procedures as planned. There are no matters arising in respect of our work on the valuation of the shareholding in Manchester Airport.</p>

A. Further information on our audit of the financial statements

Summary of uncorrected misstatements

Details of adjustment	Assets	Liabilities	Reserves	Income statement
Dr Income				858
Cr Creditors - RIA		-858		
Description of adjustment				
During our testing of creditors we identified that the art gallery expenditure to restore art works was £17.8k, the amount released from Receipts in Advance to the art gallery income code was £19.2k (Insurance monies paid to the Authority in advance of works) a difference of £1.4k. Applying our audit methodology we extrapolated this £1.4k error, and if the error was representative of the whole population, the Receipt in advance and Cost of Services income would both be misstated by £858.5k. We are satisfied this is not material. As the actual error is only £1.4k the Council's finance team have decided not to amend the statement of accounts.				
DR Pension assets	3,292			
CR Pension reserve			-3,292	
Description of adjustment				
Oldham Council's allocated share of the error identified by the greater Manchester Pension Fund (GMPF) auditor as part of the testing of assets.				
DR PPE	809			
CR Revaluation reserve		-809		
Description of adjustment				
An understatement of the PPE balance due to the fixed asset register recording an inaccurate value of an asset.				
TOTAL UNCORRECTED MISSTATEMENTS	4,101	-1,667	-3,292	858

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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