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AUDIT COMMITTEE
Agenda

Date	Thursday 10 March 2022
Time	6.00 pm
Venue	Crompton Suite, Civic Centre, Oldham, West Street, Oldham, OL1 1NL
Notes	1. DECLARATIONS OF INTEREST- If a Member requires any advice on any item involving a possible declaration of interest which could affect his/her ability to speak and/or vote he/she is advised to contact Paul Entwistle or Constitutional Services in advance of the meeting.

2. CONTACT OFFICER for this Agenda is Constitutional Services Tel. 0161 770 5151 or email constitutional.services@oldham.gov.uk

3. PUBLIC QUESTIONS – Any member of the public wishing to ask a question at the above meeting can do so only if a written copy of the question is submitted to the Contact officer by 12 Noon on Monday, 7 March 2022.

4. FILMING - The Council, members of the public and the press may record / film / photograph or broadcast this meeting when the public and the press are not lawfully excluded. Any member of the public who attends a meeting and objects to being filmed should advise the Constitutional Services Officer who will instruct that they are not included in the filming.

Please note that anyone using recording equipment both audio and visual will not be permitted to leave the equipment in the room where a private meeting is held.

Recording and reporting the Council's meetings is subject to the law including the law of defamation, the Human Rights Act, the Data Protection Act and the law on public order offences.

MEMBERSHIP OF THE AUDIT COMMITTEE IS AS FOLLOWS:
Councillors Ahmad, Alyas, Briggs, Dean, C. Gloster, Islam (Vice-Chair), Salamat, Surjan and Arnott

Item No

1 Apologies For Absence

2 Urgent Business

Urgent business, if any, introduced by the Chair

3	Declarations of Interest
	To Receive Declarations of Interest in any Contract or matter to be discussed at the meeting.
4	Public Question Time
	To receive Questions from the Public, in accordance with the Council's Constitution.
5	Minutes of Previous Meeting (Pages 1 - 8)
	The Minutes of the meeting of the Audit Committee held on 17th January 2022 are attached for approval.
6	Audit Strategy Memorandum 2021/22 (Pages 9 - 50)
7	Teachers' Pension Agency 2020/21 End of Year Certification (Pages 51 - 62)
8	2021/22 Final Accounts - Proposed Accounting Policies and Critical Judgements. (Pages 63 - 90)
9	2021/22 Internal Audit and Counter Fraud Progress Report (Pages 91 - 102)
10	Proposed Audit Committee Work Programme for 2022-23 (Pages 103 - 110)
11	Update on Payroll Matters (Pages 111 - 116)
12	Exclusion of the Press and Public
	That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they contain exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.
13	2022/23 Internal Audit and Counter Fraud Plan (Pages 117 - 144)
14	Update on the Annual Governance Statement for 2020/21 and New Issues (Pages 145 - 164)

AUDIT COMMITTEE
17/01/2022 at 6.00pm

Present: Councillor Islam (Vice Chair in the Chair); Councillors Ahmad, Arnott, Dean, C. Gloster and Surjan.

In attendance:
A. Ryans (Director of Finance)
M. Stenson (Assistant Director of Corporate Governance and Strategic Financial Management)
J. Miller (Finance Service)
L. Walsh (Finance Service)
V. Gallacher (Risk and Insurance Service)
K. Murray (Mazars – External Auditors)
P. Thompson (Constitutional Services)

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Alyas, Briggs and Salamat.

2 **URGENT BUSINESS**

There were no items of urgent business for this meeting of the Committee to consider.

3 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4 **PUBLIC QUESTION TIME**

There were no public questions for this meeting of the Committee to consider.

5 **MINUTES**

Resolved:
That the Minutes of the meeting of the Audit Committee held 2nd November 2021 be approved as a correct record.

6 **2020/21 ANNUAL STATEMENT OF ACCOUNTS**

The Committee considered a report of the Director of Finance which presented an update on the current position regarding the audit and approval of the 2020/2021 Statement of Accounts and an update on outstanding audit issues that had been presented to previous meetings of the Committee. The report also advised of the arrangements for the procurement of an auditor for the period 2023/2024 to 2027/2028 and proposed changes to audit deadlines.

The Committee were reminded that at the last meeting, on 2nd November 2021, Members had been updated on the completion of the Accounts and notified that the accounts were signed off on 30th September 2021 in line with the statutory deadline. As noted at that meeting there were still two outstanding items in relation the audit process for 2020/21, namely the: Value for Money (VFM) opinion; and the Whole of Government Accounts (WGA). The submitted report therefore updated Members that one matter, the Value for Money opinion, has been concluded. The VFM opinion had considered the three reporting criteria of: Financial Sustainability; Governance and Improving Economy, Efficiency and Effectiveness.

On each of the three areas, the VFM opinion, included within the Auditor's Annual Report, concluded that no risk of significant weaknesses in arrangements had been identified and that there were no actual weaknesses in the arrangements identified. The Whole of Government Accounts was still outstanding and was due to be completed early in 2022. The submitted report also provided an update on the: Procurement of the Council's External Auditors for the period 2023/2024 to 2027/2028 and the Council's decision to accept the Public Sector Audit Appointments (PSAA) invitation to opt into the sector-led option for the appointment of external auditors to principal Local Government and Police Bodies for five financial years from 1st April 2023, as approved at the Council meeting on 15th December 2021; and advised that changes to the deadline for publishing audited Local Authority accounts to 30th November 2022 for the 2021/2022 accounts and 30th September 2022 for five years from 2023/2024 to 2027/2028.

Resolved:
That the submitted report and the Auditor's Annual report for the year ending 31st March 2021, incorporating the Council's Value for Money Opinion, be noted.

7 **COMPLIANCE WITH THE CIPFA FINANCIAL MANAGEMENT CODE**

The Committee considered a report which presented information which highlighted the Council's compliance with the Financial Management Code, that had been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

In response to the financial challenges being faced by several Local Authorities, towards the end of 2019, CIPFA issued the 'CIPFA Financial Management Code' (FM Code) that was designed to support good practice in financial management and to assist Councils in demonstrating financial sustainability. However, it was not until mid-2020 that the guidance notes to support this document were issued which provided a more comprehensive description of the requirements and how these could be demonstrated. Due to the timing of the issue of the documentation, the financial year 2020/2021 became a 'shadow' year to allow time for Authorities to demonstrate how they were working towards full implementation of the Code. The first full year of compliance with the FM Code is 2021/2022.

The FM Code applied a principles-based approach. It did not prescribe the financial management arrangements that Local Authorities should adopt. Instead, it required that a Local Authority ensured and was able to demonstrate, that it satisfied the principles of good financial management for an authority of its size, responsibilities and circumstances.

The Code has six underlying principles designed to focus on robust financial management as a way of achieving both short-term financial resilience and long-term financial sustainability.

Since the detailed guidance notes were issued, the Finance Team had reviewed the Code and the Council's compliance several times. The report therefore highlighted that the Council was 'well placed', with generally good Code compliance. The Committee's report set out the requirements of the seven sections of the Code and its seventeen standards, highlighting where there was compliance and where some revisions and/or changes to practice were required in order that the Code could be addressed in full. The FM Code was presented at Appendix 2 of the Committee's report.

From a financial management perspective, Members were advised of three key issues about which they should have regard: firstly, the External Audit opinion on the Statement of Accounts upon which the Audit Committee has been fully updated. This gave Members of the Committee assurance about the high standard of accounting practice; secondly, the issuing by the External Auditor on 17th December 2021 of the Auditors Annual Report on the financial year 2020/21, which included commentary on the audit of the financial statements as well an opinion on the Council's Value for Money (VFM) arrangements; and thirdly, where areas of development were identified, work was in progress to address the various issues.

Resolved:
That the Committee notes the level of compliance with the Chartered Institute of Public Finance and Accountancy's Financial management Code and the issues that will require further improvement.

8 **TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23**

The Committee considered a report of the Chief Finance Officer that presented the strategy for 2022/2023 Treasury Management activities including the Minimum Revenue Provision Policy Statement, the Annual Investment Strategy and Prudential Indicators, together with linkages to the Capital Strategy. In addition to the report the Chief Finance officer circulated a briefing note that expanded on various 'key' issues that were detailed in the report.

The report outlined the Treasury Management Strategy for 2022/2023, including the Minimum Revenue Provision Policy Statement, Annual Investment Strategy and Prudential Indicators together with linkages to the Capital Strategy. The Council was required through regulations supporting the Local Government Act 2003 to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans were affordable, prudent and sustainable. The Council was also required to produce an Annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2021 (the Code) also required the receipt by full Council of a Treasury Management Strategy Statement. The Strategy for 2022/2023 covered two main areas: Capital Issues and Treasury Management Issues.

The Capital Issues were concerned with the capital expenditure plans and the associated Prudential Indicators and the Minimum Revenue Provision (MRP) Policy Statement.

The Treasury Management Issues: detailed the Current Treasury Position, Treasury Indicators which limit the treasury risk and activities of the Council, Prospects for Interest Rates, the Borrowing Strategy, the Policy on Borrowing in Advance of Need, Debt Rescheduling, the Investment Strategy, the Creditworthiness Policy and the Policy regarding the use of external service providers. The Committee's report outlined the implications and key factors in relation to each of the above Capital and Treasury Management issues and made recommendations regarding the Treasury Management Strategy for 2022/2023.

The report included an economic background commentary reflecting the latest positions at 31st December 2021. During 2020/2021, there were two consultation exercises on the Prudential Code and Code of Practice on Treasury Management with a range of proposed changes being considered. These mainly related to commercial investments and the requirement for Authorities to adopt a more prudent approach. The consultation ended on 16th November 2021 and the changes to the Codes were issued on 20th December 2021. The Council's Strategy for 2022/2023 incorporated these recent changes in the Codes where information was readily available. The proposed Treasury Management Strategy was presented to the Audit Committee to enable scrutiny of the report before it's further consideration in the budget setting cycle. It was also due to be presented to the Policy Overview and Scrutiny Committee on 27th January 2022. Any comments from the Audit Committee and the Policy Overview and Scrutiny Committee would be incorporated into the 'budget' report that was to be presented to Cabinet on 14th February 2022 and Council on 2nd March 2022.

Resolved:
That the Audit Committee commends to the Cabinet on 14th February 2022 the following, as detailed in the submitted report:

1. Capital Expenditure Estimates as set out at paragraph 2.1.2.
2. The Minimum Reserve Position policy and method of calculation as detailed at Appendix 1.
3. The Capital Financing Requirement (CFR) Projections as set out at paragraph 2.2.4.
4. The Projected treasury position as reported on 31st March 2022, as detailed at paragraph 2.3.3.
5. The Treasury Limit's as detailed in Section 2.4.
6. The Borrowing Strategy for 2022/2023 as detailed in Section 2.6.
7. The Annual Investment Strategy as detailed in Section 2.10 (including risk management and the creditworthiness policy referenced at Section 2.11)
8. The Level of investment in specified and non-specified investments as detailed at Appendix 5.

9 **2021/22 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT**

The Committee considered a report of the Assistant Director of Corporate Governance and Strategic Financial Management which provided Members with a high-level progress report on the work of the Audit and Counter Fraud team for the 2021/2022 financial year.

Members were informed that the team had prioritised work on the Fundamental Financial Systems (FFS) reviews related to 2020/21 transactions and work to support the 2021/22 audit of the financial accounts. Both planning and field work had commenced in a number of areas for the first stage FFS reviews for 2021/22. In addition to that work, highlights of the Audit and Counter Fraud Team included:

The report summarises the work carried out by the team from 1st April 2021 to 31st December 2021. The team had continued to prioritise work on the Fundamental Financial Systems (FFS) reviews to support the 2021/2022 audit of the financial accounts. It was reported that some Interim FFS reviews had reached their draft report stage, with the balance to follow in the final quarter of 2021/2022. In addition, other Audit and Counter Fraud Team highlights included:

- The continued support in respect of COVID-19 grant funding regimes, including the Homelessness Prevention Grant and Business Grants.
- Resumption of audit reviews outside of FFS including Children's Services 'imprest' accounts; capital project procurement and contract management, and ongoing support and review of maintained schools.

- The Counter Fraud and Direct Payments Audit Teams (Adults and Children) have continued to deliver significant recovery outcomes which have generated £341,253 and £2,069,044 (respectively) in the first three quarters of the current financial year.

Resolved:
That the 2021/2022 Audit and Counter Fraud Progress Report be accepted and noted.

10 **PROPOSED AUDIT COMMITTEE WORK PROGRAMME FOR 2021/22 AND EARLY 2022/23**

The Committee received a copy of the proposed Audit Committee Work Programme for 2021/22 and early 2022/23.

Resolved:
That the proposed Audit Committee Work Programme for 2021/22 and early 2022/23 be noted.

11 **EXCLUSION OF THE PRESS AND PUBLIC**

Resolved:
That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following two items of business on the grounds that they contain exempt information under paragraphs 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

12 **UPDATE ON THE ANNUAL GOVERNANCE STATEMENT FOR 2020/21 AND NEW ISSUES**

The Committee considered a confidential report of the Assistant Director of Corporate Governance and Strategic Financial Management which updated Members on the progress made to reduce the risk of issues arising for the Council to address, where matters had been identified as areas requiring improvement in internal control within the Annual Governance Statement for 2020/21. The report also identified new risks which were considered appropriate for potential inclusion in the Annual Governance Statement when it is produced for the financial year 2021/22.

The Council is required, as part of its Statement of Final Accounts, to produce an Annual Governance Statement. This document identifies significant governance issues that the Council needs to consider at the end of a financial year to mitigate its risks.

In considering the report Members of the Committee requested that reports be presented to future meetings of the Committee regarding the Council's Payroll Service and on the effectiveness of the Authority's scrutiny function.

Resolved:

1. That the report be noted.
2. That reports be presented to future meetings of the Committee regarding the operations of the Council's Payroll Service and on the effectiveness of the Authority's scrutiny function.

13 **SENIOR INFORMATION RISK OWNER UPDATE**

The Committee considered a confidential report of the Assistant Director of Corporate Governance and Strategic Financial Management, which updated Members on information security breaches, risk issues/actions for the first six months of the 2021/22 financial year. The report was the 'half yearly' update of the Senior Information Risk Owner to the Audit Committee highlighting Information Security Incidents and related matters that had occurred during the period 1st April 2021 to 30th September 2021.

Resolved:
That the report be noted.

The meeting started at 6.00pm and ended at 7.38pm

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Report to Audit Committee

Audit Strategy Memorandum 2021/22

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

Ext. 4783

10 March 2022

Purpose of Report

Attached to this report at Appendix 1 is the proposed Audit Strategy Memorandum for the financial year 2021/22.

Executive Summary

The Audit Strategy Memorandum sets out the proposed work to be undertaken by the external audit team on the 2021/22 Statement of Final Accounts including the Value for Money Opinion which is linked into the future financial resilience of the Council.

The report will be presented by the External Auditor.

Recommendations

That Members of the Audit Committee note the Audit Strategy Memorandum for 2021/22.

Appendix 1

Audit Strategy Memorandum

Oldham Metropolitan Borough Council

Year ending 31 March 2022

mazars

Contents

Audit Committee
Oldham Metropolitan Borough Council
Civic Centre
West Street
Oldham
OL1 1UT

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

23 February 2022

Dear Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2022

We are pleased to present our Audit Strategy Memorandum for Oldham Metropolitan Borough Council for the year ending 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 8 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Oldham Metropolitan Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07721 234043.

Yours faithfully

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Karen Murray

Partner, Mazars LLP

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Oldham Metropolitan Borough Council (the Council) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

The Director of Finance is responsible for the assessment of whether is it appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements.

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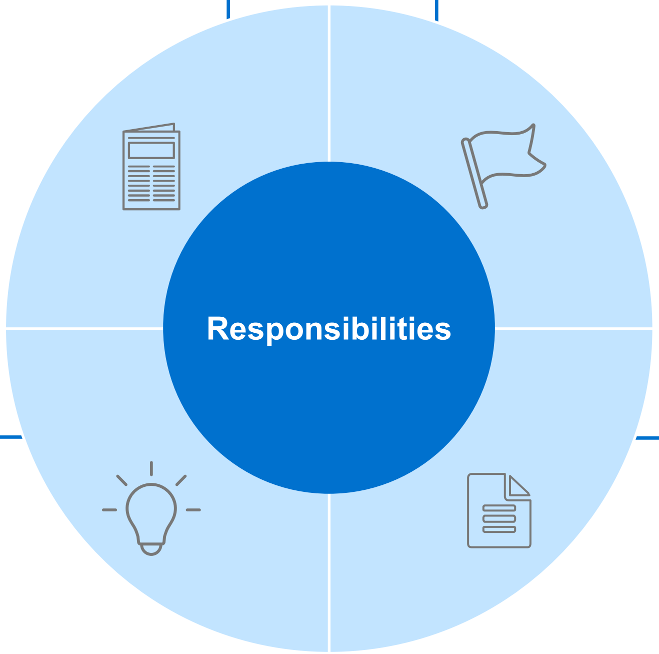

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

02

Section 02:

Your audit engagement team

2. Your audit engagement team

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Karen Murray

Engagement Partner

Email karen.murray@mazars.co.uk

Telephone 07721 234043

Alastair Newall

Engagement Senior Manager

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Telephone 07909 986776

Yogita Das-Patel

Engagement Assistant Manager

Email Yogita.das-patel@mazars.co.uk

Telephone 07583 130236

In addition, an engagement quality control reviewer has been appointed for this engagement.

03

Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

Our audit scope is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based and primarily driven by the issues we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 9.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

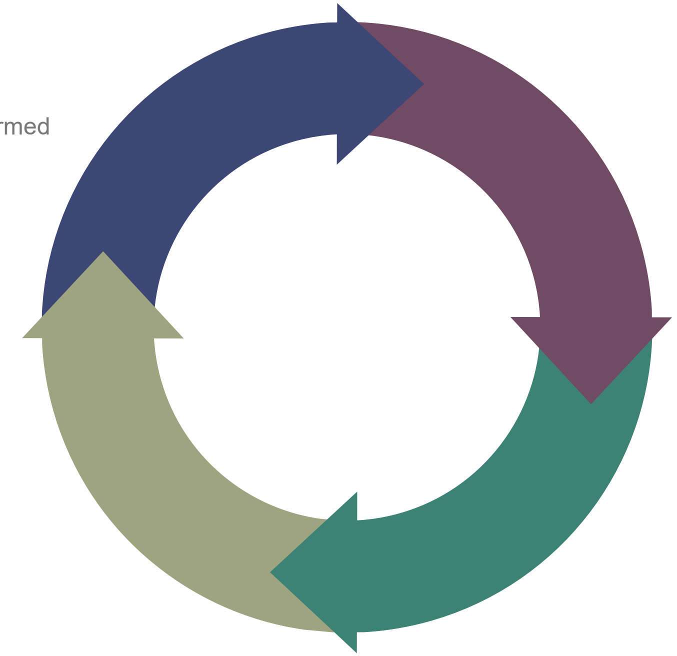
3. Audit scope, approach and timeline

Planning (January-February 2022)

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Interim (March 2022)

- Documenting systems and controls
- Performing walkthroughs
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary



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Completion (September 2022)

- Final review and disclosure checklist of financial statements
- Final internal coaching reviews and Partner and EQCR review
- Agreeing content of letter of representation
- Internal review and clearance of the Audit Report
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor's report

Fieldwork (June-July 2022)

- Receiving and reviewing draft financial statements
- Reassessing the audit plan and revising if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

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Item of account	Management's expert	Our expert
Defined benefit pension assets and liabilities	Hyman Robertson actuaries	PwC – NAO's consulting actuary
Property, Plant and Equipment and Investment Property valuation	Unity Partnership Ltd	We will use available third party information to challenge the key valuation assumptions
Valuation of Manchester Airport land	Jacobs Ltd	Mazars in-house valuation team
Valuation of shareholding in Manchester Airport Holding Limited	BDO LLP	Mazars in-house valuation team
Valuation of Financial Instruments	Link Asset Services	We will review Link's methodology for providing the fair value disclosures

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Items of account	Service organisation	Audit approach
Payroll, non-pay expenditure and other transactional items of account	The Unity Partnership Ltd	We plan to obtain assurance by understanding the process and controls that the Council has in place to assure itself that transactions are processed materially correctly. Our testing will include sample testing of transactions based on evidence available from the Council rather than the service organisation.

3. Audit scope, approach and timeline

Group audit approach

The Council's group structure for 2021/22 includes two wholly owned subsidiary companies, Miocare Group Community Interest Company and The Unity Partnership Limited. In auditing the accounts of the Council's Group financial statements we need to obtain assurance over the transactions in the Group relating to the Council's subsidiary companies.

Our approach will reflect the size and complexity of the transactions from the subsidiary companies that are consolidated into the Council's Group financial statements. Based on our planning discussions and review of previous year's accounts, we do not consider either subsidiary company to be a financially significant component. However, we do consider that our significant risk relating to the Pension Liability, as set out in section 5, is a risk at the Group level and applies to the subsidiary companies as well as the Council.

Our planned approach, based on our initial understanding of 2021/22 and the values reported in the prior year financial statements, is to obtain assurance on the pension liability significant risk from carrying out our own audit procedures and we do not plan to obtain specific assurance from the component auditors of the two companies. Our planned approach for the remaining group financial statement entries is to undertake group level analytical procedures. The table below summarises our planned group audit approach.

If there are any changes to our assessment of the significance of the Council's group components, either through the size and complexity or the significant risks at the components, we will communicate these changes to the Audit Committee.

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Entity	Significant by size	Significant risk	Planned audit scope	Auditor
Oldham MBC	Yes	Yes	Full audit carried out by group engagement team	Mazars - group engagement team
Miocare CIC Ltd	No	Yes	Specific audit procedures relating to pension liability significant risk Group level analytical procedures	Mazars - group engagement team
Unity Partnerships Ltd	No	Yes	Specific audit procedures relating to pension liability significant risk Group level analytical procedures	Mazars - group engagement team

04

Section 04:

Extended auditor's report

4. Extended auditor's report

Layout of extended auditor's report and implications for the audit

The extended auditor's report for the Council is expected to follow the format and structure below for the year ending 31 March 2022 assuming that no emphasis of matter or qualification is required.

Paragraph heading in order	Summary of key content
Opinion on the financial statements	What we have audited and our opinion thereon.
Basis for opinion	Confirms that the audit is undertaken under the ISAs (UK). Specific confirmation of our independence including with the FRC's Ethical Standard. Specific confirmation re sufficiency and appropriateness of audit evidence obtained to provide a basis for our opinion.
Conclusions relating to going concern	Reporting by exception on the Council's: • use of the going concern basis of accounting • disclosure of any material uncertainties
Key audit matters	Includes definition of key audit matters. Clarifies that these matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and that we do not provide a separate opinion on these matters. For each key audit matter identified: • A description of the most significant assessed risk(s) of material misstatement; • A summary of our response to those risks including significant judgements applied; and • Where relevant, key observations arising with respect to those risks including clear reference to relevant disclosures in the financial statements.

4. Extended auditor’s report

Paragraph heading in order	Summary of key content
Our application of materiality and an overview of the scope of our audit	Explanation of how we applied the concept of materiality in planning and performing the Group and Council audit. The overall materiality threshold for the Group and Council financial statements as a whole, performance materiality and triviality. Overview of the scope of the Group and Council audit, including an explanation of how the scope addressed each key audit matter and was influenced by our application of materiality.
Other information	Responsibilities of the Director of Finance and of the auditor for Other information included in the annual report.
Responsibilities of the Director of Finance	Cross reference to the full Statement of the Director of Finance’s Responsibilities.
Auditor’s responsibilities for the audit of the financial statements	Explanation of the ‘reasonable assurance’ objective of the audit. Cross-reference to our responsibilities for the audit on the FRC’s web-site. Explain to what extent the audit was considered capable of detecting irregularities, including fraud.
Value for money arrangements	Report on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.
Matters on which we are required to report by exception	Report in the public interest under section 24 of the Local Audit and Accountability Act 2014. Recommendation under section 24 of the Local Audit and Accountability Act 2014. Exercise of any other special powers of the auditor under the Local Audit and Accountability Act 2014.

4. Extended auditor's report

Paragraph heading in order	Summary of key content
Other matters which we are required to address	Confirms that we have not carried out any prohibited non-audit services and that we remain independent on the Council and its Group. Confirms that our audit opinion is consistent with the Audit Completion Report.
Use of the audit report	Who we are reporting to and what the report may be used for.
Audit certificate	Sets out that we have completed the audit of the Council in accordance with the Local Audit and Accountability Act 2014.

05

Section 05:

Significant risks, key audit matters and other key judgement areas

5. Significant risks, key audit matters and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

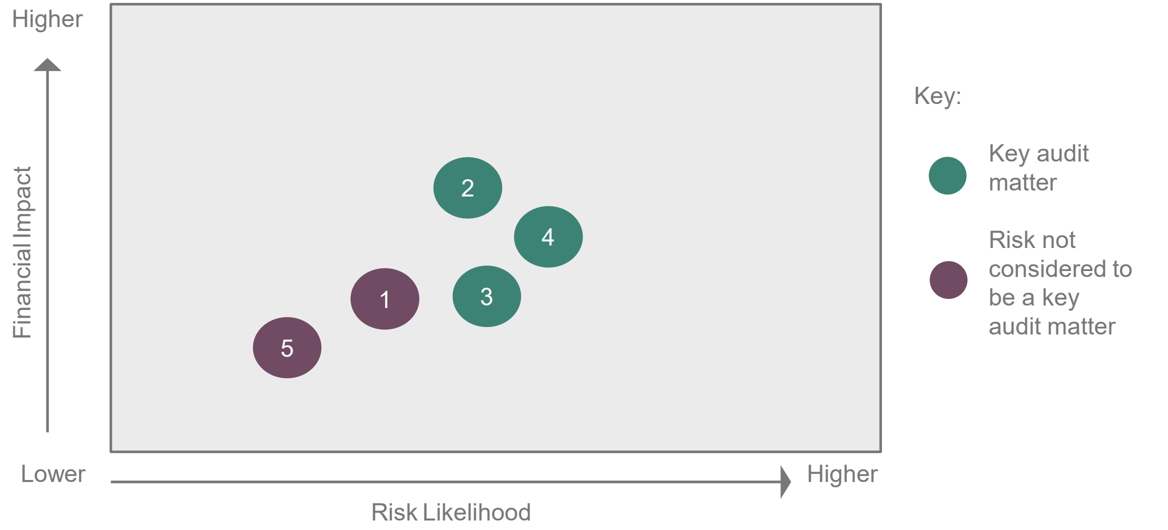
Key audit matters

Key audit matters are defined as those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

It is important that you understand and have the opportunity to discuss with us why something is being communicated as a key audit matter and the way this is described. This section highlights which of the significant risks and other key judgement areas are considered by us at the planning stage to be key audit matters. It should be noted, however, that other key audit areas may be identified during the course of the audit.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



1. Management override of controls
2. Valuation of Council property, plant and equipment
3. Valuation of Council Investment Property
4. Valuation of the Council's and the Group's net defined benefit pension liability
5. Valuation of investment in Manchester Airport Holdings Ltd

5. Significant risks, key audit matters and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
1	**Management override of controls** This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. 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 there is a risk of material misstatement due to fraud on all audits.	●	○	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

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5. Significant risks, key audit matters and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
2	**Valuation of Property, Plant & Equipment (Council)** 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.	○	●	●	●	Our audit procedures will include: • 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 2021/22 are materially fairly stated. • Obtaining an understanding of the Council's approach to ensure that assets revalued through 2021/22 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 2022. • Testing the accuracy of how valuation movements were presented and disclosed in the financial statements.

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5. Significant risks, key audit matters and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
3	**Valuation of Investment Property (Council)** 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.	○	●	●	●	Our audit procedures will include: • 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.

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5. Significant risks, key audit matters and other key judgement areas

Significant risks (continued)

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
4	**Valuation of Council's and the Group's defined benefit pension liability (Council and Group)** 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 2019. 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 2021/22.	○	●	●	●	Our audit procedures will include: • Obtaining an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary from the Council and the Group. • 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 included 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. • Reviewing a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluating whether the outcome of their work would affect our consideration of the Council's and the Group's share of Pension Fund assets. • Reviewing the actuarial allocation of Pension Fund assets to the Council and Group by the actuary, including comparing the Council's and the Group'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 and Group's financial statements.

5. Significant risks, key audit matters and other key judgement areas

Other key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Expected KAM	Planned response
5	**Valuation of investment in Manchester Airport Holdings Limited** The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2022. 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.	○	●	●	○	Our approach to auditing the investment in Manchester Airport Holdings Limited includes the involvement of the Mazars in-house valuation team. The Mazars in-house valuation team will review the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.

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06

Section 06:

Value for money

Page 33

6. Value for Money

The framework for Value for Money work

We are required to form a view as to 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 in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **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 approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will 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 members
Additional risk based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: • Significant weaknesses identified and our recommendations for improvement • Emerging issues or other matters that do not represent significant weaknesses but still require attention from Council.

6. Value for Money

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, based on the work carried out we have not identified any risks of significant weaknesses to date. This is consistent with our reporting from 2020/21 in which we did not identify any significant weaknesses in arrangements.

We will report any subsequently identified risks to the Audit Committee on completion of our planning and risk identification work.

07

Section 07:

Fees for audit and other services

7. Fees for audit and other services

Fees for work as the Council's appointed auditor

At this stage of the audit we have set our proposed fees in the table below. We will report any expected changes to the Audit Committee through the year, and at the completion of our audit work.

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Delivery of audit work under the NAO Code of Audit Practice [1]	104,428	104,428
Additional fees		
- Recurrent scope changes [2]	27,750	27,750
- In year scope changes [3]	TBC*	2,000
- Additional requirements for Oldham MBC [4]	4,500	4,500
Total fees	**136,678***	**138,678**

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[1] The scale fee was initially set by PSAA in 2018.

[2]. The additional fees in 2020/21 relate to additional testing valuations of land & buildings and investment property, additional pension liability procedures, and additional work to support the new value for money report. We expect to request similar additional fees in 2021/22.

[3] The additional fees in 2020/21 relate to additional testing as a result of the implementation of new auditing standards in 2020/21.

[4] The additional fees in 2020/21 relate to the additional reporting requirements relating to Oldham MBC being classified as a Public Interest Entity (PIE). We expect to request similar additional fees in 2021/22.

Fees for non-audit work

We have not been engaged by the Council to carry out any additional work separate from our delivery of the NAO Code of Practice audit work. Before agreeing to undertake any additional work we will consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 8.

Services provided to other entities within the Council's group

Mazars LLP have been engaged as external auditors by Unity Partnerships Ltd and Miocare Community Interest Company Ltd for 2021/22.

The audit fees agreed for the external audit of Unity Partnerships Ltd 2021/22 financial statements are £25,500. The audit fees agreed for the external audit of Miocare Community Interest Company Ltd 2021/22 financial statements are £34,690.

Mazars LLP do not provide any other services to Unity Partnerships Ltd or Miocare Community Interest Company Ltd.

08

Section 08:

Our commitment to independence

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8. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

We have not made arrangements for any of our activities as auditor to be conducted by another firm that is not a Mazars' member firm. In section 3 we have outlined the experts that we intend to use as part of our audit. We will write to these experts seeking confirmation of their independence and will report this within our Audit Completion Report for the Audit Committee.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Karen Murray in the first instance.

Prior to the provision of any non-audit services Karen Murray will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Principal threats to our independence and identified associated safeguards are set out below.

Mazars LLP are engaged by Unity Partnerships Ltd and Miocare Community Interest Company Ltd to carry out the external audit of their financial statements. The safeguards we have put in place to ensure our compliance with the FRC Ethical Standard are:

- A separate engagement lead and audit team carry out the external audits of Unity Partnership Ltd and Miocare Community Interest Company Ltd. This engagement lead and audit team have no involvement in the audit of the Council and the Group financial statements.
- The group engagement team do not intend to request or obtain assurance from the Unity Partnership Ltd or the Miocare Community Interest Company Ltd audit teams as part of their external audit.
- The audit fees received for the external audit of Unity Partnership Ltd and Miocare Community Interest Company Ltd are only £60,190, representing less than 50% of the Council and Group external audit fees set out in section 7.

In our professional judgement the safeguards that have been applied eliminate the identified threats to independence or reduce them to an acceptable level.

Any further emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

09

Section 09:

Materiality and misstatements

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9. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Group	Council
Overall materiality	£13,600,000	£13,500,000
Performance materiality	£10,880,000	£10,800,000
Specific materiality: Officer Remuneration bandings	N/A	£5,000 *
Trivial threshold for errors to be reported to Audit Committee	£408,000	£405,000

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Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross expenditure at the surplus/deficit on provision of services. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and a level above which all identified errors will be reported to the Audit Committee.

We consider that the gross expenditure at the surplus/deficit on provision of services remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

9. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 2% of gross expenditure at the surplus/deficit on provision of services. In setting materiality there were no additional qualitative factors which were considered.

Based on the audited financial statements for 2020/21 we anticipate the overall materiality for the year ending 31 March 2022 to be in the region of £13.6m for the Group financial statements and of £13.5m for the Council financial statements (2020/21: £13.61m for the Group and £13.6m for the Council).

We have identified one disclosure in the financial statements where we have set a separate specific lower materiality level:

- Disclosure of Senior Officer Remuneration: £5,000 reflecting the movement between bandings.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

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Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on our assessment of a low inherent risk, meaning that we have applied 80% of overall materiality as our level of performance materiality.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £408k for the Group and £405k for the Council based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Karen Murray.

Reporting to the Audit Committee

The following three types of audit differences above the trivial threshold will be presented to the Audit Committee:

- A summary of adjusted audit differences;
- A summary of unadjusted audit differences; and
- A summary of disclosure differences (adjusted and unadjusted).

A

Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks/ key audit matters.	Audit Strategy Memorandum
With respect to misstatements: • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit Committee Audit planning and clearance meetings

Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements.	Audit Completion Report
Reporting on the valuation methods applied to the various items in the consolidated financial statements including any impact of changes of such methods	Audit Completion Report
Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

Appendix: Key communication points

Required communication	Where addressed
Identification of each key audit partner involved in the audit	Audit Strategy Memorandum
Description of nature, frequency and extent of communication with the Audit Committee and other relevant bodies including dates of meetings	Audit Strategy Memorandum
Description of methodology used, including which categories of the balance sheet have been directly verified and which categories have been verified based on system and compliance testing, including an explanation of any substantial variations compared to the previous year	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Disclosure of quantitative level of materiality applied to the audit, any specific materiality levels applied to particular classes of transactions, account balances or disclosures, and qualitative factors considered when setting materiality	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Explanation of judgements about events or conditions identified during the course of the audit that may cast significant doubt on the entity's ability to continue as a going concern and whether they constitute a material uncertainty, and provide a summary of all guarantees, comfort letters, undertakings of public intervention and other support measures that have been taken into account when making a going concern assessment	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Reporting on significant deficiencies including whether or not the deficiency in question has been resolved by management	Audit Completion Report

Karen Murray, Engagement Partner

Mazars

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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.

*where permitted under applicable country laws.

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Report to Audit Committee

Teachers' Pension Agency 2020/21 End of Year Certification

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

Ext. 4783

10 March 2022

Reason for Decision

The Teachers' Pension Contributions paid over to the Teachers Pension Agency are subject to a specific external audit review, which results in an annual certification. This report details the outcome for the financial year 2020/21.

Executive Summary

On 5 November 2021 the Teachers' Pension Agency confirmed their agreement to the contributions paid over to them by the Council for the financial year 2020/21.

Recommendations

That Members of the Audit Committee are asked to note the Certification of the Teachers' Pension Return, attached at Appendix 1, for the financial year 2020/21.

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Our ref AB/RP/BD

Contact Rebecca Dingwall
07909 535920

Anne Ryans
Director of Finance
Oldham Metropolitan Borough Council
Level 3, Civic Centre
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5th November 2021

Dear Teachers' Pensions

Oldham Metropolitan Borough Council – Reporting on agreed upon procedures in respect of Teachers' Pensions End of Year Certificate for the year ended 31 March 2021

LA Number: 353 0000

This report has been produced in accordance with the terms of our engagement letter dated 20 August 2021 ("the Engagement Letter") and in accordance with the International Standard on Related Services 4400 *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information* as published by the International Auditing and Assurance Standards Board ("IAASB").

The procedures were performed solely for the purpose of assisting Oldham Metropolitan Borough Council fulfil their responsibilities, under the Teachers' Pensions Regulations 2010 (SI 2010/990) and The Teachers' Pension Scheme Regulations 2014 (SI 2014/512), for preparing the End of Year Certificate ("EOYC") for the year end 31 March 2021. The EOYC must be accompanied by a reporting accountants' report prepared following the performance of procedures set out in the guidance note "Reporting Accountants Guidance TP05 (FY20/21 Version 1)" issued by Teachers' Pensions ("the guidance"). We attach, a copy of the EOYC prepared and submitted by management. Where appropriate, this copy identifies errors corrected by management. Management are responsible for the preparation and submission of the EOYC and for all corrections.

KPMG

KPMG LLP
LA Number: 353 0000
5th November 2021

Report of factual findings and exceptions

We have performed our work as set out in Appendix I to this report.

We have noted exceptions and/or errors in the performance of procedures 3, 4 and 9.

The nature and magnitude of the exceptions and/or errors are described alongside the relevant procedure within Appendix I. We also report management's explanations for any errors and/or exceptions identified.

We have not subjected the information contained in our report or the appendices (including explanations and representations received from the Responsible Finance Officer and reported to you) to checking or verification procedures except to the extent expressly stated. This engagement does not constitute an audit in accordance with International Standards on Auditing (UK) or a review in accordance with International Standards on Review Engagements (UK and Ireland) and, as such, no assurance is expressed. Had we performed additional procedures, an audit or a review, other matters might have come to light that would have been reported.

You were responsible for determining whether the agreed-upon procedures we performed were sufficient for your purposes and the purposes of Teachers' Pensions having due regard to the guidance issued by TP. We cannot, and do not, make any representations regarding the sufficiency of these procedures for your purposes or for the purposes of Teachers' Pensions.

Our report is prepared solely for the confidential use of Oldham Metropolitan Borough Council and for Teachers' Pensions. Our report must not be used for any purpose other than for which it was prepared or be reproduced or referred to in any other document or made available to any third party without the written permission of KPMG LLP. We accept no liability to any other party who is shown or gains access to this report. This report relates only to the matters specified above and does not extend to any financial statements of Oldham Metropolitan Borough Council taken as a whole.

Yours faithfully

KPMG LLP

KPMG LLP
Chartered accountants

APPENDIX I - AGREED UPON PROCEDURES AND FINDINGS MATRIX

This is an illustrative schedule to attach to the report. It is the Reporting Accountants responsibility to complete this appendix, checking against the actual tests completed. In preparing this appendix, Reporting Accountants need only provide the last column if there are exceptions to report. Where no exceptions were identified the comment "No exceptions noted" should be included in the penultimate column.

	Agreed Upon Procedures	Details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors (including non-correction of errors) and formal management representations where appropriate to be attached.
1	We have checked that all relevant parts of the return have been completed (in pounds and pence) and that the employer's certificate bears the signature of the Responsible Finance Officer.	No exceptions noted.	N/A
2	We have checked that all arithmetic on the return is correct including: (a) that the totals in section 3 are arithmetically correct; (b) that the total in section 3 column 1 agrees with the entry in section 1 (box 1); (c) that the total in section 3 column 2 agrees with the entry in box 2a(iv); (d) that the total in section 3 column 3 agrees with the entry in box 2a(v); and (e) that the overall balance in box 2e has been calculated correctly.	No exceptions noted.	N/A

3	We have checked that the breakdown of contributions in each tier casts to the percentage rate of the contributory salary.	We identified the following variances when comparing the breakdown of contributions in each tier to the percentage rate of the contributory salary: **<u>Teachers' Contributions</u>** - £29.56 in the 7.4% tier - £1.98 in the 8.6% tier - -£60.70 in the 9.6% tier - -£0.45 in the 10.2% tier - -£0.12 in the 11.3% tier - £0.10 in the 11.7% tier Total -£29.63 **<u>Employer's Contributions</u>** - -£52.66 in the 7.4% tier - -£1.45 in the 8.6% tier - £45.79 in the 9.6% tier - £0.87 in the 10.2% tier - -£0.52 in the 11.3% tier - £0.08 in the 11.7% tier Total -£7.88	Differences identified in tiers 2, 4, 5 and 6 are small rounding differences. Differences identified in tiers 1 and 3 related to issues with the third party payroll provider, EPM, which affected three schools. Tier 1 (7.4%) differences are a result of the following: ▪ Teachers' contributions: Month 2 Tier 1 £29.56 variance – EPM have confirmed this was an error due to an issue with the system calculating the teachers' contributions and will be fixed in October 2021 payroll. We have amended this on the revised EOYC. ▪ Employer's contributions: Month 8 Tier 1 -£50.91 variance - Relates to a deduction that was not included in the monthly breakdown reports from EPM which is now included and we have amended this on the revised EOYC.

<table>
<tr><th></th><th></th><th></th><th></th></tr>
<tr><td></td><td></td><td></td><td>Tier 3 (9.6%) differences are a result of the following:
Teachers’ contributions: Month 9 Tier 3 -£68.92 variance - EPM included a person in the Tier 3 breakdown instead of Tier 1 – we have amended this on the revised EOYC.
Employer's contributions: Month 1 Band 3 £15.57 variance and Month 4 Band 3 £30.17 variance – EPM have confirmed these were errors due to an issue with the system calculating the employer’s contributions and will be fixed in October 2021 payroll. We have amended this on the revised EOYC.</td></tr>
<tr><td>4</td><td>We have checked that entries on the return and supporting working papers agree with the employer’s payroll records, including amendments, and, where necessary, information from other payroll providers, for the return period.</td><td>Upon agreement of the EOYC to the Council's supporting workings, it was identified that some of the workings for additional contributions and additional pension payments were using formulae with the wrong cell references, therefore they were not pulling through the correct source data.

Once the formulae are corrected, the following adjustments to the EOYC are required:<table><tr><th>EOYC cell</th><th>Original EOYC</th><th>Source Data i.e. revised figure</th><th>Adjustment</th></tr><tr><td>2a.ii.</td><td>£4,254.80</td><td>£4,641.60</td><td>£386.80</td></tr></table></td><td>The incorrect formula was used to combine data from various sources. Management are in agreement with the amendments and these have been included in the revised EOYC.</td></tr>
</table>

<table>
<tr><th></th><th></th><th></th><th></th></tr>
<tr><td></td><td></td><td><table>
<tr><td>2a.iii.</td><td>£4,241.22</td><td>£4,430.99</td><td>£189.77</td></tr>
<tr><td>2a Total contributions</td><td>£15,219,742.50</td><td>£15,220,318.47</td><td>£575.97</td></tr>
<tr><td>2e.</td><td>-£402.29</td><td>£173.68</td><td>£575.97</td></tr>
</table></td><td></td></tr>
<tr><td>5</td><td>We have checked that contributions paid in box 2d provided by TP agree with the employer’s accounts.</td><td>No exceptions noted.</td><td>N/A</td></tr>
<tr><td>6</td><td>For a sample of 55 teachers paid by the employer payroll and (where available) third party payrolls, we have checked:
(a) the status of the teacher to the employer portal;
(b) that contributory salaries have been agreed to payroll records and included in section 3 column 1 in the correct tier;
(c) that teachers’ contributions have been deducted at the correct tier rate and included in section 3 column 2 in the correct tier; and
(d) that employer’s contributions have been calculated correctly and</td><td>No exceptions noted.</td><td>N/A</td></tr>
</table>

	included in section 3 column 3.		
7	For two teachers who fall into one of the following categories we have checked that: (a) Career average flexibilities payments have been deducted correctly and included in box 2a(i); (b) additional pension payments have been deducted correctly and included in box 2a(ii); (c) additional contributions have been deducted correctly and included in box 2a(iii) (d) deductions and interest for teachers with EFE elections are calculated correctly and included in box 2b(i) (e) Preston contributions have been deducted correctly and included in box 2b(ii)	No exceptions noted.	N/A

	(f) TR22 contributions have been deducted correctly and included in box 2b(iii)		
8	We have checked that all short term pension payments made by the employer in box 2c(i) for teachers who have died before 1 February 2016 agree to correspondence from Teachers' Pensions.	Not applicable.	N/A
9	We have checked all prior year refunds in box 2c(ii) to correspondence from Teachers' Pensions.	The Council reported a prior year refund of £837.38. There was no supporting correspondence from Teachers' Pensions and these refunds were initiated by the Council.	The refund of £837.38 relates to refunds given to an employee who had had pension deducted at 8.6% across YE 19/20 and 20/21 instead of 7.4%. This employee had 2 posts and both salaries were in the 7.4% salary range. The employee was being paid on the old payroll system where contribution bandings were not always accurate for multiple posts, therefore their contributions had been deducted at 8.6% which reflects the combined salary of the 2 posts. Partial refunds were given in Month 8 and Month 10. The total value owed is more than £837.38 as the issue transferred into the current financial year, but the £837.38

			refunded per the EOYC is the amount which relates to prior years (19/20).
10	For all management explanations related to the exceptions and errors noted, we have obtained representations from the Responsible Finance Officer.	We can confirm that we have obtained management representations.	Management Representations have been obtained.

Teachers' Pensions Contributions for Financial Year 2020/21

Teachers' Pensions

Please familiarise yourself with the instructions, to complete, upload and print your EOYC.

To create your Declaration form to be signed, first create your .CSV to upload via the button to the right, then that same button becomes Print File. Click it and ensure you click to print entire workbook.

Unaudited EOYC forms should be uploaded to the employers portal no later than 31 May 2021

Employer Information

Local Authority/Establishment Name:	Oldham MBC

	LA Number	*Establishment Number*
Local Authority/Establishment Number:	353	0000

(For Local Authorities, please enter the establishment number as '0000')

Employer Type

Please select your Employer Type fom the dropdown list bel ow,before completing the remainder of this form.

Employer Type:	Local Autho rity

Section 1: Total Actual Contributory Salary

Total Contributory Salary:	£46,026,129.87

Section 2: Summary of Contributions

	i. Career Average Flexibilities (Note 3)	ii. Additional Pension Payments (Note 3)	iii. Additional Contributions (Note 3)	iv. Teachers' Contributions	v. Employer's Contributions	Total Contributions
a. Contributions deducted (as per contributory salary at 1 - see Note 4)	£0.00	£4,641.60	£4,430.39	£4,312,211.69	£10,898,990.27	£15,220,273.95

	i. Arrears deducted in respect of EFE Elections (Note 5)	ii. Contributions deducted in respect of PRESTON (Note 6)	iii. TR22 Election amounts deducted (Note 7)	Total Extra Contributions
b. Extra contributions deducted	£0.00	£0.00	£0.00	£0.00

	i. Short Term Pension	ii. Refunds made (in respect of previous years only)	Total Refunds made
c. Refunds Made	£0.00	£837.88	£837.88

d. Contributions Paid (Note 8)	£15,219,306.91
e. Overall Balance (2a + 2b) - (2c + 2d)	£129.16

NB: Underpayments identified at Overall Balance must be paid immediately to Teachers' Pensions - see Notes 9 and 11.

Section 3: Analysis of Contributions by Tier

Tier (Percentage Rate)	Contributory Salary	Teachers' Contributions	Employer's Contributions (23.68%)
Tier 1 (7.40%)	£7,080,788.19	£523,978.33	£1,676,732.40
Tier 2 (8.60%)	£11,024,646.03	£948,117.58	£2,610,637.63
Tier 3 (9.60%)	£12,116,497.39	£1,163,175.53	£2,869,186.53
Tier 4 (10.20%)	£10,302,025.02	£1,050,807.00	£2,439,518.65
Tier 5 (11.30%)	£4,405,258.25	£497,794.30	£1,043,165.67
Tier 6 (11.70%)	£1,096,914.99	£128,338.95	£259,749.39
TOTALS	£46,026,129.87	£4,312,211.69	£10,898,990.27

NB: Totals from Section 3 should be identical to the figures in Sections 1 and 2

KPMG LLP

2021 Version 1.0

Teachers' Pensions Contributions for Financial Year 2020/21

Section 4: Certificate to be given by the Chief Finance Officer of the Local Authority

I hereby certify that, to the best of my knowledge and belief, the entries on this form are correct and that, in accordance with the regulations underpinning the Teachers' Pension Scheme:

- Employee contributions have been correctly calculated, deducted from pensionable salary and remitted to Teachers' Pensions in respect of all employees who are members of the scheme;

- Employer contributions have been correctly calculated and remitted to Teachers' Pensions based on pensionable salaries and applicable contributions rates

- I am satisfied that the authority has adequate systems in place and has obtained supporting evidence which confirms that those entries in respect of teachers in schools maintained by the Local Authority whose salary payments are administered other than directly through the LA payroll, are correctly calculated and paid to Teachers' Pensions.

Name (in capital letters)
ANNE RYANS

Position
DIRECTOR OF FINANCE (S151 OFFICER)

Email Address
anne.ryans@oldham.gov.uk

Telephone Number
0161 770 4902

Signature
A.T. Ryans

Date
25\10\21

Section 5: Certificate of the auditor

I/We have examined the entries in this form (which replaces or amends the original submitted to me/us by the authority dated ______________________) and the related accounts and records of the authority in accordance with the agreed upon tests in Certification Instruction TP05.

My/our assessment carried out the agreed upon tests in Certification Instruction TP05 and obtained such evidence and explanations as I/we consider necessary. (Except for the matters raised in the attached report dated ______________________).

Name (in capital letters)

Date

Signature

Data Protection Act 1998. The Department for Education (DfE) will use any information you provide in connection with the Teachers' Pension Scheme to administer and operate the scheme and pay benefits under it. This may include passing details to third parties that are involved in the administration and operation of the scheme. The DfE may also use your data for administrative purposes in line with its data protection notification. In order to fulfil its duty to protect public money, the DfE may use information it holds to prevent and detect fraud. It may also share information with other organisations that handle public funds. **If there is any difference between the legislation governing the Teachers' Pension Scheme and the information in this application form, the legislation will apply**

Please return to us at:

Teachers' Pensions, 11b Lingfield Point, Darlington, DL1 1AX

www.teacherspensions.co.uk .

Report to Audit Committee

2021/22 Final Accounts - Proposed Accounting Policies and Critical Judgements

Portfolio Holder: Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and Low Carbon

Officer Contact: Anne Ryans, Director of Finance

Report Author: Lee Walsh, Finance Manager (Capital and Treasury)
Ext. 6608

10 March 2022

Reason for Decision

In line with best practice principles, approval is sought for the significant accounting policies and the critical judgements to be adopted in the preparation of the Council's 2021/22 Statement of Accounts. Members are also asked to note the recent consultation and the Council's response.

Executive Summary

The report sets out the Council's proposed accounting policies and critical judgements to be adopted in completing the 2021/22 Statement of Accounts. The opportunity is also been taken to update the Audit Committee of the recent consultation and potential impact on the Statement of Accounts for 2021/22 and 2022/23.

Recommendations

It is recommended that the Audit Committee:

1) Notes the recent consultation response provided by the Council to the emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the UK and the 2022/23 Code
2) approves the Council's proposed accounting policies to be adopted in completing the 2021/22 Statement of Accounts
3) notes the critical judgements made by management when producing the Statement of Accounts.

1. **Introduction**

1.1 This report outlines the latest consultation issued in February 2022 on the emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the UK and the 2022/23 Code, that may impact the preparation of the 2021/22 accounts. It also presents the significant accounting policies that will be used in the preparation of the 2021/22 Statement of Accounts and explains the requirement to disclose the critical judgements made by management when producing the Statement of Accounts.

2. **Consultation on emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the UK and the 2022/3 Code**

2.1 In December 2021, the Department of Levelling-up Housing and Communities (DLUHC) asked CIPFA / The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) to consider ways in which the Code may ameliorate this crisis position within the sector, regarding the fact that the significant majority (91%) of local bodies missed the statutory deadline of 30 September 2021 for publication of their audited 2020/21 accounts (Oldham was not one of the 91%). CIPFA LASAAC considered this request and has issued this exceptional consultation in February 2022, which explores two possible changes that might be made as an update to the 2021/22 Code and to the agreed position in the 2022/23 Code.

2.2 After considering a wide range of options CIPFA/LASAAC decided to explore two approaches:

- An adaptation to the Code to allow Local Authorities to pause professional valuations for operational property, plant and equipment (PPE) for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation
- deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

2.3 The consultation lasted for a 4-week period to 3 March 2022. The Council has responded to the consultation. The Council's response is at Appendix 3. A summary is highlighted below.

Pausing valuation and applying indexation to operational property, plant and Equipment

2.4 The Council does not agree with the proposal of pausing the professional valuations for PPE and applying indexation for the following reasons:

- The Council would question the pausing of the professional valuation process and in particular the reasoning why the pausing is required. The Council feels that rather than a final accounts preparation issue it is more of an audit issue and the solution maybe to look at the auditing standards or the requirements of the external auditor rather than looking at amending an individual element of the final accounts process. The Council can see the benefits to the auditors of the pause in the valuation process in the reduced time to complete the audit. However, the Council would question what the benefits are of a short-term fix when there are more fundamental issues in the audit of Local Authority accounts that require attention. The pause will only be a short-term solution for larger long-term issues and in another few years will it be required again to allow the External Auditors catch up.

- The Council has already completed a large proportion of its asset valuation work for 2021/22 and any change in the process will incur additional work to unravel the entries already input into the asset register and general ledger. If required, the additional work could impact the Council's ability to meet the statutory deadlines for handover of the accounts to the External Auditors.
- By changing to indexation, the Council would incur an additional cost to have the assets revalued under the new methodology. The Council, due to its early asset valuation deadline, has already incurred the majority of the cost for 2021/22 to complete the valuation work.
- Overall, the timing of the consultation is not ideal. The consultation was issued in early February 2022, only two months from the year end. The proposal could significantly amend the Council's year end timetable and processes in closing the accounts. In the response, the Council has expressed, its disappointment at the late timing of the consultation and highlighted that should the proposals in the consultation be agreed, the potential detrimental impact on the Council's closedown timetable for the 2021/22 accounts.

Further deferral of the implementation of IFRS 16 Leases

2.5 Overall, the Council would support the proposal to postpone the implementation of IFRS 16. Whilst the Council has been working towards the current implementation date, a delay would be helpful in addressing some the issues found as the Council has been working through the process. Having the extra time to resolve such issues would be beneficial to the Council. The proposal would not impact the 2021/22 closure of the accounts, so does not have the significant effect of the first proposal as mentioned above. The work already carried out on IFRS 16 to date, has already improved the Council's leasing reporting requirements and as can be seen with the earlier deferrals of the implementation timeline, the work on implementing the standard can be put on hold and picked up at a later date.

2.6 The Council's final comments on the consultation were that a quick turnaround by CIPFA on the consultation findings is required to ensure that that any changes can be assessed and implemented to minimise the risk that the Council cannot meet the statutory deadline for the handover of its accounts.

3. Accounting Policies

3.1 The Council's accounting policies are the specific principles, conventions, rules and practices that are applied in the production and presentation of the annual Statement of Accounts. These policies have to be disclosed as a note to the annual accounts. A copy of the policies can be found at Appendix 1. There have been no changes from the policies used to prepare the 2021/22 Statement of Accounts.

3.2 The International Financial Reporting Standards (IFRS) 16 Leasing implementation date is currently under review due to the consultation detailed in section 2. The consultation is proposing that the implementation date is deferred a further year. The new proposed revised date is 1 April 2023 for preparation of the financial year 2023/24. More detail on this is provided in section 4 of this report.

4. Critical Judgements

4.1 In line with IFRS and the Code, the Council is required to disclose those judgements that management have made in the process of applying the Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements. These are shown at Appendix 2.

4.2 Critical Judgements include, which schools property, plant and equipment and PFI information should be included on the Council's Balance Sheet, which entities fall within the Council's group boundary, how properties should be classified as investment property and the election of the Council's airport investment.

4.3 The critical judgement relating to the Council upfront payment of its employer pension contributions have been included to reflect the upfront contribution for the 2020/21 – 2022/23 triennial period.

4.4 The Council is currently assessing its group boundary. In particular, the Council is investigating whether Meridian Development Co Ltd should be included in the Council's group accounts for 2021/22. During the financial year 2021/22, the Council became the only Shareholder of Meridian Development Co Ltd, which has a year-end date of 28 February. The Council is awaiting the final year end accounts and once received and analysed, a decision on the consolidation of Meridian Development Co Ltd will be made.

5. International Financial Reporting Standard (IFRS) 16

5.1 The Code of Practice on Local Authority Accounting requires the Council to disclose information relating to the impact of an accounting change required by a new standard that has been issued but not yet adopted. IFRS 16 is currently due to be introduced for Local Authorities from 1 April 2022 which would have required the annual accounts for 2022/23 to be the first set of accounts produced in accordance with this standard. With a 1 April 2022 implementation date, a note advising of this change should be included in the 2021/22 accounts.

5.2 However, as mentioned in section 2 above, CIPFA has issued an exceptional consultation in February 2022 on 'emergency proposals for an update of the 2021/22 Code of Practice on Local Authority Accounting in the UK and the 2022/3 Code'. In the consultation, the proposal is to defer the implementation of IFRS 16 for a further year to 1 April 2023. Therefore, if the deferral is approved the Council's 2021/22 accounts will not disclose the impact of an accounting change required by a new standard that has been issued but not yet adopted. The Council will await the outcome of the consultation and the financial statement for 2021/22 will be amended accordingly.

6. Options/Alternatives

6.1 The options that Audit Committee Members might consider in relation to the contents of this report are:

a) not to approve any of the accounting policies or note the critical judgements.
b) not to approve some of the accounting policies or note the critical judgements.
c) to approve all the accounting policies and note the critical judgements.

7. Preferred Option

7.1 The preferred option is option C.

8. Consultation

8.1 Consultation has taken place with the Councils External Auditors, Mazars LLP.

9. Financial Implications

9.1 Dealt with in the body of the report.

10. **Legal Services Comments**

10.1 There are no Legal implications.

11. **Co-operative Agenda**

11.1 Improving the quality and timeliness of the financial information available to citizens of Oldham supports the cooperative ethos of the Council.

12. **Human Resources Comments**

12.1 There are no Human Resource implications.

13. **Risk Assessments**

13.1 There are no risk implications as a result of this report.

14. **IT Implications**

14.1 There are no IT implications as a result of this report

15. **Property Implications**

15.1 There are no Property implications.

16. **Procurement Implications**

16.1 There are no Procurement implications.

17. **Environmental and Health & Safety Implications**

17.1 There are no Environmental and Health & Safety implications as a result of this report.

18. **Equality, community cohesion and crime implications**

18.1 There are no Equality, community cohesion and crime implications.

19. **Equality Impact Assessment Completed?**

19.1 Not Applicable

20. **Key Decision**

20.1 No

21. **Key Decision Reference**

21.1 Not Applicable.

22. **Background Papers**

22.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background Papers are provided at Appendices 1, 2 and 3.
Officer Name: Lee Walsh
Contact No: 0161 770 6608

23. **Appendices**

23.1 Appendix 1 – 2021/22 Proposed Accounting Policies
Appendix 2 – 2021/22 Proposed Critical Judgements
Appendix 3 - Consultation response to CIPFA/LASSAC Emergency proposals for the update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom

Accounting Policies 2021/22

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

Unless otherwise stated the convention used in this document is to round to amounts the nearest thousand pounds. All totals are the rounded totals of unrounded figures and, therefore, may not be the strict sums of the figures presented in the text or tables. Throughout the Statements all credit balances are shown with parentheses e.g. (£1,234).

1.2 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred. The Council has a £10,000 de minimis limit for the recognition of Capital Expenditure.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management:
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- community assets, infrastructure assets and assets under construction – depreciated historical cost.
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- surplus assets – fair value, determined by the measurement of the highest and best use value of the asset.
- all other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included on the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant Portfolio line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant Portfolio line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant Portfolio line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer;
- infrastructure – straight-line allocation up to 40 years.

Revaluation gains are depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Component Accounting

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item and/or whose life is significantly different to the life of the host (main) asset, the components are depreciated separately.

Components are recognised in the financial year where:

there has been a revaluation of assets;
there has been an acquisition of assets within the financial year; and
enhancement expenditure has been incurred within the financial year.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value of disposals is not a charge against the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. If the disposal relates to housing assets a proportion of the capital receipt is payable to the Government (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances). The balance of receipts is required to be credited to the Useable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are transferred to the Useable Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

1.3 Heritage Assets

The Council's Heritage Assets are held by the Council principally for their contribution to knowledge and/or culture. They are recognised and measured, including treatment of revaluation gains and losses, in accordance with the Council's accounting policies on Property Plant and Equipment. However, some of the measurement rules are relaxed allowing the Council's Heritage Assets to be included on the Balance Sheet at their insured value where available. Where insurance valuations are not available there is a narrative disclosure.

Heritage assets are deemed to have an indefinite life, therefore are not depreciated as the charge made would be minimal and immaterial. Nevertheless, where there is evidence of physical deterioration to a Heritage Asset, or doubts arise to its authenticity, the value of the asset has to be reviewed.

1.4 Investment Property

Investment properties are those assets that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated, and an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. Gains and losses on revaluation are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and charged to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Useable Capital Receipts Reserve.

1.5 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment assets will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- The value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge is raised on the outstanding Balance Sheet liability and debited to the Financing and Investment Income and Expenditure line in the

Comprehensive Income and Expenditure Statement. The interest rate is calculated for each scheme so that the Balance Sheet liability is zero at the end of each contract.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability.
- Lifecycle replacement costs – are split between revenue and capital costs. Revenue lifecycle costs are debited to the relevant service in the Comprehensive Income and Expenditure Statement. Capital lifecycle costs are debited to Property Plant and Equipment to reflect the enhancement of the PFI Asset.

1.6 Accounting for Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools are considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts. The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation Trust
- Foundation

Schools' non-current assets (school buildings and playing fields) are recognised on the Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school or the school governing body own the assets or have had rights to use the assets transferred to them through a licence arrangement.

When a maintained school converts to an Academy, the school's non-current assets held on the Council's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to an Academy is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.7 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.8 Capital Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in the approved Minimum Revenue Provision policy. Depreciation, revaluation and impairment losses, and amortisation are replaced by Minimum Revenue Provision (MRP). This adjusting transaction is included in the Movement in Reserves Statement with the Capital Adjustment Account charged with the difference between the two amounts.

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. When a premium or discount has been incurred and paid in full by a grant from an external body it is accounted for in full in the year that the grant is received. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and

- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section 1.23 Fair Value Measurement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS 9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of instruments held at fair value through profit or loss will be recognised in the net cost of service in the CIES and will have a General Fund impact.

Financial Assets measured at Fair Value through other Comprehensive Income (FVOCI)

The Council has equity instruments designated at fair value through other Comprehensive Income (FVOCI). This was previously classified as an Available for Sale asset at 31 March 2018.

The Council has made an irrevocable election to designate one of its equity instruments as FVOCI on the basis that it is held for non-contractual benefits, it is not held for trading but for strategic purposes. The asset was transferred to the new asset category on 1 April 2018. The asset is initially measured and carried at fair value. The value is based on the principal that the equity shares have no quoted market prices and is based on an independent appraisal of the company valuation.

Dividend income is credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve.

When the asset is de-recognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services.

The same accounting treatment was adopted in the prior year when the asset was classified as Available for Sale, except that accumulated gains and losses on the available for sale asset were previously held in an Available-for-Sale Financial Instruments Reserve at 31 March 2018. The balance on this reserve was transferred to the new Financial Instruments Revaluation Reserve as at 1 April 2018.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Instruments Entered into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required, or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

1.10 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and time off in lieu (TOIL) as well as bonuses and non-monetary benefits (e.g. mobile phones) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Employee Accumulated Absence Accrual

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the current accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday entitlement occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant services lines in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Greater Manchester Local Government Pension Scheme - administered by Tameside Metropolitan Borough Council.
- The Teachers' Pension Scheme - administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme - administered by EA Finance NHS Pensions.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year. The Community Health & Adult Social Care Portfolio line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Greater Manchester Local Government Pension Scheme

The Greater Manchester Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method; an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of future earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on a basket of high-quality corporate bonds, Government gilts and other factors).

The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price;
- property – market value.

The change in the net pension liability is analysed into following components:

- current service cost – the increase in liabilities as a result of years of service earned in the current year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
- net interest on the net defined benefit liability - the change during the period in the net defined benefit liability that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- contributions paid to the Greater Manchester Pension Fund - cash paid as employer contributions to the pension scheme in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve, to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.11 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that may not be collected.

1.12 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of a change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.13 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) it is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.14 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where revenue grants are credited to the Comprehensive Income and Expenditure Statement but have yet to be used to fund revenue expenditure, it is posted to the Revenue Grant Reserve. When eligible expenditure is incurred in future years the grant is transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

1.15 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are held to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council. These reserves are further explained in the relevant policies.

1.16 Revenue Recognition

Revenue is defined as income arising as a result of the Council’s normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that **performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.**

1.17 Tax Income

Council Tax, Retained Business Rates and Business Rates Top-up Grant income included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income.

Business Rates, Business Rates Top-up Grant and Council Tax income will be recognised in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line. As a billing Authority, the difference between the Business Rates and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation credited to the General Fund is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. Each major preceptor's share of the accrued Business Rates and Council Tax income is available from the information that is required to be produced in order to prepare the Collection Fund Statement.

Business Rates 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.

Revenue relating to Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

1.18 Overheads and Support Services

The costs of overheads and support services are charged to the relevant services in accordance with the Authority's arrangements for accountability and financial performance, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation;
- Non Distributed Costs – changes in past service costs and impairment losses chargeable on Assets Held for Sale.

Corporate and Democratic Core is identified as a separate heading in the Comprehensive Income and Expenditure Statement. Non Distributed Costs form part of the Capital, Treasury and Technical Accounting Portfolio line with the Council's local reporting format.

1.19 Value Added Tax (VAT)

Value Added Tax payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.20 Interests in Companies and Other Entities

The Council has material interests in external entities that are classified as subsidiaries and therefore group accounts have been prepared. In the Council's single-entity accounts the Council's interest in companies and other entities are recorded as financial assets at cost less any impairment. Any gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

1.21 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.22 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Adjusting Events -Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Non-Adjusting Events - Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.23 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the amount that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability; or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its non-financial assets and liabilities, for recognition or disclosure as appropriate, in line with the highest and best use definition within IFRS 13 Fair Value Measurement. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

Critical Judgements in Applying Accounting Policies 2021/22

The following disclosure sets out critical judgements applied to the accounting policies of the Council that have a significant impact on the presentation of the financial statements. Critical estimation uncertainties are described in Note 36.

Upfront pension payment

The Council is liable to make contributions towards the cost of post-employment benefits. For the 3-year period 2020/21 – 2022/23, the Council agreed with the Greater Manchester Pension Fund (GMPF) that the employer contributions payable to the Local Government Pension Scheme (LGPS) could be paid as a single up-front payment. Subsequently, in April 2021 the Council paid £46.726m based on an estimated pensionable payroll of £79.874m per annum in order to make a budget saving. In line with the Council's accounting policies, in 2020/21 the amounts relating to 2021/22 and 2022/23 were offset against the pension liability on the balance sheet. These amounts will be reflected in the pension reserve in the years to which they relate.

At the close of the triennial period the pension reserve and the pension liability will be brought into line with each other. For further details see note 29 Defined Benefit Pension Schemes.

Accounting for Schools – Balance Sheet Recognition of Schools

The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by Local Authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises school land and buildings on its Balance Sheet where it directly owns the assets or where the school or school Governing Body own the assets or where rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included on the Council's Balance Sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school or school Governing Body.

The Council has completed a school-by-school assessment across the different types of schools it controls within the Borough. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets. The types of schools that have been assessed are shown below:

Type of School	No. of Primary Schools	No. of Secondary Schools	No. of Special Schools	Total
Community	24	1	1	**26**
Voluntary Controlled (VC)	5	-	-	**5**
Voluntary Aided (VA)	28	1	-	**29**
Foundation/Foundation Trust	4	1	-	**5**
Maintained Schools	**61**	**3**	**1**	**65**
Academies	25	10	6	**41**
Total	**86**	**13**	**7**	**106**

All Community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet.

The Council has entered into Private Finance Initiative (PFI) agreements to build and operate three schools in the Borough. One is a VA school; one is a Foundation Trust school and the remaining school is an Academy. Whilst the land which the buildings are sited on has been transferred to the respective Diocese, Trust and Academy, the ownership of the buildings is determined by who holds the balance of control in line with accounting standards. The Council considers the buildings associated with these schools should be included on its Balance Sheet because:

- The reversion clause within the PFI agreement results in the Council having a residual interest in the buildings at the end of the agreement
- The services provided and the use of the building is controlled by the Council through the PFI agreement
- The PFI agreement is between the PFI contractor and the Council

Legal ownership of VC school land and buildings usually rests with a charity, normally a religious body. Four VC schools are owned by the Diocese which have granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet. The remaining VC school land and buildings are owned by the Council and included on the Balance Sheet.

Legal ownership of the VA school land and buildings rests with the relevant Diocese. The Diocese has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet.

Foundation and Foundation Trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria. There are five Foundation schools in the Borough. For one school, the Governing Body has legal ownership of the land and buildings and thus these are included on the Council's Balance Sheet. For the remaining Foundation Trust school, a separate Trust owns the land and buildings so these assets are not included on the Council's Balance Sheet.

Academies are not considered to be maintained schools in the Council's control. The land and building assets are not owned by the Council and are therefore not included on the Council's Balance Sheet.

Group Boundaries

The Council carries out a complex range of activities, often in conjunction with external organisations. Where those organisations are in partnership with or under the ultimate control of the Council a judgement is made by management as to whether they are within the Council's group boundary. This judgement is made in line with the provisions set out in the Code and relevant accounting standards.

Those entities which fall within the boundary and are considered to be material are included in the Council's group accounts. Profit and loss, net worth, and the value of assets and liabilities are considered individually for each organisation against a materiality limit set by the Council. An entity could be material but still not consolidated if all of its business is with the Council and eliminated on consolidation – i.e., the consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers qualitative factors such as whether the Council depends significantly on these entities for the continued provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk.

The Council has assessed its group boundary for 2021/22. The Council at this moment in time has identified two subsidiaries who are considered to be material and will be consolidated into its group accounts. They are MioCare Group Community Interest Company (CIC) and the Unity Partnership Limited. From the 1 April 2022, all Unity Partnership Limited services will be transferred back to the Council. This transfer on 1 April 2022, will therefore not affect the consolidation of the Council's groups accounts for 2021/22.

The Council is currently investigating whether Meridian Development Co Ltd should be included in the Council's group accounts for 2021/22. During the financial year 2021/22, the Council became the only Shareholder of Meridian Development Co Ltd. Meridian Development Co Ltd have a year-end date of 28 February, and the Council is awaiting the final year end accounts. Once received and analysed a decision on the consolidation of Meridian Development Co Ltd into the Council's group accounts will be made. Further details can be found in the group accounts in section 5.

Investment Properties

Investment properties have been assessed using the identifiable criteria under the international accounting standards and are being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation, to determine if there is an operational reason for holding the property, such as regeneration.

Airport Investments

The Council has a 3.22% shareholding in Manchester Airport Holdings Limited (MAHL). Following the adoption of accounting standard IFRS 9 Financial Instruments which came into effect on 1 April 2018, the default valuation method of the Council's equity holdings would be Fair Value through Profit and Loss. However, the shareholding is a strategic investment and not held for trading and therefore the Council has designated the investment as fair value through other comprehensive income. It is the Council's view that this is a reasonable and reliable accounting policy for the investment.

The Council has made an equity investment in Manchester Airport Car Park Limited, (along with the other nine Greater Manchester District Councils). The Council's investment is to provide car parking facilities at Manchester Airport. The Council holds 3 Class C ordinary shares. The shareholding will be classed as a financial instrument and held at fair value on the Council's Balance Sheet. Under IFRS 9 the shareholding (investment) will be designated as a strategic investment and not held for trading therefore the Council has opted to designate it as fair value through Other Comprehensive Income. The decision to designate to fair value through other comprehensive income is irrevocable and it is the Council's view that this is a reasonable and reliable accounting policy for this investment.

APPENDIX 3

Consultation response to CIPFA/LASSAC Emergency proposals for the update of the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom

After considering a wide range of options CIPFA LASAAC decided to explore two approaches:

- An adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation
- deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

<u>Valuation of operational property, plant and equipment</u>

B1 Pausing valuation and applying indexation to operational property, plant and Equipment Valuation of operational property, plant and equipment

CIPFA/LASAAC reasoning is that they have considered this aspect of financial reporting because it understands that it is an area where significant effort is being made by both preparers and auditors, and that this has contributed to delays in the finalisation of audited financial statements. Improvement in this area could potentially have a significant beneficial effect on audit completion if it can be achieved without adverse effects on public accountability.

Q1a Do you agree with the proposal that preparers should have the option to pause professional revaluation? If not, why not? Please provide reasons for your view.

The Council would question the pausing of the professional valuation process and in particular the reasoning why the pausing is required. The Council feels that rather than a final accounts preparation issue it is more of an audit issue and the solution maybe to look at the auditing standards or requirement of the external auditor rather than look at amending an element of the final accounts process.

The Council has completed the majority of its valuation process for 2021/22 as highlighted in the Council's response in Q1b. The Council's valuers have also expressed a concern about the proposal of pausing the valuation process and would not support the proposal. The Council's valuers have concerns regarding the potential catch up process that would be required once the pause is over i.e., to potential perform 3 years of full RICS Red Book valuations to align to the 5-year rolling programme of valuations.

As mentioned above, the Council believes it is more of an Audit issue rather than a final accounts preparation issue. One area the Council would suggest looking into is the materiality level in relation to the balance sheet. Currently the Council's materiality is calculated on a percentage of revenue spend, for both the revenue and balance sheet items. The Council would therefore suggest that individual materiality should be set for revenue and balance sheet items. As this Balance Sheet materiality level would be higher, it would potentially help reduce the work that the Auditor would have to do and so alleviate the current issues surrounding the auditing of Local Authority accounts.

By not using professional valuations it would ultimately reduce the evidence basis obtained to determine that the correct PPE figures have been used in the financial statements and that they are materially in line with the Council's accounting policy of measurement that is obtained by the rolling programme. It would therefore be very difficult to assert accurately that the Council's

Accounts are IFRS compliant with the application of the valuation approach and that the effect is not material.

Q1b Additionally, do you agree with the proposal that preparers should have the option to pause professional revaluation and adopt an indexation approach to 2021/22? If not, why not? Please provide reasons for your view.

The Council does not support the proposal that preparers should have the option to pause the professional revaluation and adopt an indexation approach for 2021/22. The Council for 2021/22 has 305 PPE Valuations on its rolling programme. Of these, 300 valuations have been completed by property colleagues by either portfolio or report leaving 5 still outstanding which are only subject to small queries. Therefore, out of the full programme of 305 assets, 98% has already provided, updated, calculated, and journaled into general ledger. In addition, the Council has a PFI scheme that has been updated and entered into the asset register and general ledger (although this is Council Dwellings not PPE and would still be required).

The Council has a robust year end timetable and works extreme well with colleagues from other departments to ensure that the statutory deadline is met. It is clear, that over the years the Council has concentrated its efforts on the high value/impact tasks and as always aimed to have its Rolling Valuation programme completed by 30 November each year. A tight but necessary timetable to ensure the Council's asset value is as accurate as possible and to give time to highlight and resolve any issues from the valuation process (with a caveat that the Council considers any material changes at the 31 March date). It is only by this forward planning of an already embedded joint working arrangement with property colleagues that we can meet such a strict timetable.
If the option to use indexation instead of the formal valuation process currently required by the code the impact would be:

- More work for finance to unravel the entries already updated – it is not as simple as reverting to an earlier version of Asset Register as it would include other non-revaluation entries.
- Additional work from property colleagues to update the asset valuations using an indices method which is less accurate than what they have already provided - this would incur additional costs
- Sunk costs for the procurement/SLA of the property fee of those valuations which have already been provided. The Council, due to its early deadline, has already incurred the majority of the cost for 2021/22 at approx. £120k – this is a cash payment to our valuation provider.
- The knock-on effect to the programme is that the outstanding year end tasks i.e., impairment reviews etc (which we are on target to meet) will be pushed back to allow for the reversals required resulting in the whole timetable being at risk with possibility of not meeting the statutory deadline. Given the effort that the Council has put into early delivery of the accounts, this could be a big issue for the performance of the Finance Service including delivery of business plan and corporate targets.

If indexation is used in the valuation process, appropriate indices will need to be applied by valuation experts in accordance with professional judgements. This could apparently be carried out in a way that is fully consistent with the IAS 16 valuation approach. There would be a need to develop a consistent approach, as to how they will be applied, and to determine how this would be integrated with existing valuations of assets based on rolling revaluations. The Council feels that using indexation would be open to interpretation unless the Code specifically states which indices will be used. For example, currently the Council use indices at an Oldham level when calculating its DRC assets as part of the year end process. In recent years the Auditors have challenged the Council on the assumptions and judgements as to why we have used certain indices and not used others therefore increasing the level of testing and sample size which has ultimately increase the supporting documentation and testing required which has in turn increased the cost of the External

Audit. Clarification on what indices must be used would be essential if introduced, as these valuations would still be subject to significant testing by the auditors.

To be clear, the Council does not support the adoption of an indexation approach.

Q1c If you support this proposal but the impacts for 2021/22 are minimal, so that audit timeliness issues remain, would you support either of these changes being explored for the 2022/23 Code?

The Council can see the benefits to the auditors of the pause in the valuation process and reduced time to complete the audit. However, the Council would question what the benefits are of a short-term fix when there are more fundamental issues in the audit of Local Authority accounts. This pause will only be a short-term solution for larger long-term issues and in another few years will it be required again to catch up? The Council has not had many audit issues in this area in recent years and would question why we should temporarily give up a robust and reliable valuation process and approach? The question the Council would ask is that if indexation is good enough for the valuation process for a 2-year period, why should in not become common and best practice going forward?

There should be more fundamental consideration to the wider difficulties causing the delays to the audit of the accounts e.g., a lack of capacity in the external audit market to deliver on time and within fees that are applied.

Q2 Do you have any comments on the impact of the adoption of this approach on preparers or auditors? If so, please provide more information.

As the Council has already stated, a temporary move to using indices will not resolve the issues in the long term. The Council would suggest that a full review of the external audit process and how much value is added to the financial statements from the valuation process would be a better use of time.

Q3 If you support this approach, do you consider that the approach should be available to all local authorities, restricted to England, or determined on a jurisdiction basis reflecting the view of the relevant government?

The Council does not agree with the approach but would comment that without making it open to all Local Authorities, it would create inconsistences in approaches between the English Local Authorities and the rest of the UK.

Q4 If you support this approach in principle, do you consider that it is appropriate for all operational property plant and equipment, including for example, Housing Revenue Account assets?

The Council does not agree with the approach but would suggest that if implemented it would seem reasonable and appropriate to include all PPE held on the Balance Sheet.

Q5 Do you have any other comments on the proposal?

The Council has no additional comments that are not already included in the above responses. It would however like to express its disappointment at the late timing of the consultation and the to highlight that should the proposals in the consultation be agreed, the potential detrimental impact on the Council's closedown timetable for the 2021/22 accounts.

As already stated, the Council has already completed a large proportion of its asset valuation work and there will be costs associated with any move to indexation if it is a compulsorily introduced. It will entail a substantial amount of additional work for the Finance Team to reverse out the entries and an additional cost to get the new indexed valuations. It will also require the Property Team to undertake additional work in providing these new valuations. Given the timing, it would be a challenge for the Property Team to reprioritise its workload to complete valuations in line with our current closedown timetable. There is a real chance that if the change was implemented, despite best efforts, the Council may not be able to meet the 31 May statutory deadline for the completion of the accounts. Up to now, the Council has an excellent record and reputation for completing the accounts ahead of the timeline (and also to the highest standard). It would be extremely disappointing if deadlines were to be missed due to a late change in process beyond the control of the Council's Finance Team.

<u>Deferred implementation of IFRS 16</u>

B2 Further deferral of the implementation of IFRS 16 Leases

CIPFA/LASAAC considered a wider range of proposals than those suggested by DLUHC. One of these was further deferral of the implementation of IFRS 16 Leases in the Code.

Q6 Do you support the further deferral of IFRS 16 implementation to reduce auditor/preparer workload? If not, why not? Please provide reasons for your view.

The Council would support this proposal to postpone the implementation of IFRS 16. Whilst the Council has been working towards the current implementation date, a delay would be helpful in addressing some the issues found as the Council has been working through the process. Having extra time to resolve such issues would be beneficial.

Q7 Do you have any comments on the practical impact of the adoption of this approach? Please provide details to support your view.

The Council sees no practical impact to this proposal. The only effect for the 2021/22 accounts will be the amendment to the Accounting Standards issued but not adopted note in the account and is a very simple amendment. The work already carried out on IFRS 16 to date, has already improved the Council's leasing reporting requirements. As can be seen with the earlier deferrals of the implementation timeline, the work on implementing the standard can be put on hold and picked up again if required. (In reality, the Council would most likely keep the implementation work ticking over as the deferral is only for 1 year with the new implementation date being 2023/24).

Q8 Do you have any comments on the jurisdictional application of this approach?

The Council's comments are similar to its response in Q3. All Local Authorities within the UK must be treated the same and follow the same approach and timeframes. If this approach is not applied equally it would create inconsistences in approaches between the English Local Authorities and the rest of the UK.

Q9 Do you have any other comments on the proposal?

As previously stated, the Council feels the proposals are aimed as a solution to the current issues relating to the Auditing of the Accounts and not in the preparation of the Accounts by Local Authorities and would question if a 1-year delay would help the audit sector or should this be longer?

As mentioned above in the Council's response to Q5, the timing of the consultation will impact the Council's 2021/22 closedown timetable and also with the IFRS 16 deferral will impact the planned workload of the 2022/23 timetable. The Council would therefore request that a quick turnaround by CIPFA on the consultation findings is required to ensure that that any changes can be assessed and implemented to minimise the risk that the Council cannot meet the statutory deadline.

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Report to Audit Committee

2021/22 Internal Audit and Counter Fraud Progress Report

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

Officer Contact: Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

Report Author: Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

Ext. 4783

10 March 2022

Reason for Decision

To provide Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for the 2021/22 financial year.

Executive Summary

The report summarises the work carried out by the team from 1 April 2021 to 28 February 2022.

The team has continued to prioritise work on the Fundamental Financial Systems (FFS) reviews to support the 2021/22 audit of the financial accounts.

A number of Interim FFS reviews have now reached draft report stage, with the balance to follow in the final quarter of the year.

In addition, other Audit and Counter Fraud Team activity includes:

- Continued support in respect of COVID-19 grant funding regimes, including the Homelessness Prevention Grant and Business Grants.
- Compilation of the Annual Audit and Counter Fraud Plan for this Committee.

- The Counter Fraud and Direct Payments Audit Teams (Children and Adults) have continued to deliver significant recovery outcomes which have generated £393,969 and £2,809,216 (respectively) in the first eleven months of the current financial year.

Recommendation

Members are requested to note the 2021/22 Audit and Counter Fraud Progress Report.

2021/22 Internal Audit and Counter Fraud Progress Report

1. **Background**

1.1 This report summarises the work carried out for the period 1 April 2021 to 28 February 2022 by the Audit and Counter Fraud Team.

1.2 The main content of the report is structured as follows:

- Section 2: 2021/22 Audit and Counter Fraud Plan: Progress Update.
- Section 3: Corporate Counter Fraud.
- Section 4: Audit of Direct Payments.

2. 2021/22 Audit and Counter Fraud Plan: Progress Update

2.1 Priorities for the 2021/22 Audit and Counter Fraud Plan have been:

- Twice yearly Fundamental Financial Systems (FFS) reviews. FFS audits are undertaken in two stages to provide earlier assurance. Interim (Stage 1) Audits which commenced in October 2021, and Final (Stage 2) Audits which will commence in February 2022.
- Audits which are classed as “high priority” in the Annual Audit Needs Assessment.
- Counter Fraud work to identify fraud risks within the corporate systems.
- Specific fraud investigations on Council Tax Reduction and Corporate Fraud.
- Deliver the financial audits of Direct Payments in line with service plans and targets.
- Support and provide assurance in connection with postal votes for local, regional, and parliamentary elections.

Progress against these priorities since our previous update to Members is summarised below:

Fundamental Financial Systems (FFS) reports

2.2 Work commenced on these reviews in October 2021. Progress to date is as follows:

- Ten draft interim reports have been issued.
- Two remaining draft interim reports, which have been discussed and agreed with the Service, will be issued in Quarter 4 pending final quality assurance checks.

The two pending reports are in relation to Adult Social Care Direct Payments and Residential Care. We have also now commenced further fieldwork to inform our reports and opinion at the final report stage for 2021/22.

Members will receive a separate update report as part of the agenda for this meeting on the outcome of the latest review of the Payroll Service. It is pleasing to report that the latest review found systems and controls around payroll processes and procedures to be adequate. Members will recall that the opinion in respect of Payroll controls has been inadequate or weak for some time, and this latest adequate opinion represents a significant improvement in this area.

Further details can be found at **Appendix 1**

Non-FFS related work

2.3 A Non-FFS related report has been prepared for MioCare CIC. This report is on the adequacy of the Company's systems to record and monitor Health and Safety related incidents.

Other work undertaken

2.4 In addition to ongoing FFS work on Adult Social Services in connection with Direct Payments and Residential Care, we have also established, alongside the service, two working groups to examine potential improvements to the systems and processes in place within Adult Social Care to address the concerns raised in the audit reports in this area. One group will examine how the work of the Direct Payment Auditors might be utilised more effectively by the service. The other will examine the internal procedures within the Adult Social Care Income and Payments Function.

2.5 Further ongoing work is also underway in connection with grant funding schemes in response to the COVID-19 pandemic, including Homelessness Prevention and further grants for the Hospitality sector.

Ongoing Development of new Audit Management System - Pentana

2.6 Good progress has been made on the ongoing development of the new Audit Management System. The team:

- has populated the system with standard audit programmes for all FFS reviews;
- has transferred the majority of working papers for current FFS reviews onto the new system; and
- will continue to explore the capabilities within the system to further streamline and standardise the work of the section.

3. Corporate Counter Fraud

3.1 In line with the priorities agreed by the Audit Committee, the Counter Fraud Team continues to collaborate with the Internal Audit Team and contribute to the delivery of the Internal Audit and Counter Fraud Plan.

3.2 The team continues to perform well. **Appendix 2** sets out the key outcomes by Quarter, which are summarised below for the eleven months to 28 February 2022.

Counter Fraud team 2021/22	**Total**
Corporate Cases – No. of Positive Results	114
Fraud and Error Overpayments identified as part of Corporate Cases	£78,052
Warning letters issued	70
Housing Benefit (HB) Fraud and Error Overpayments identified as part of a Council Tax Reduction (CTR) investigation	£203,205
CTR Fraud and Error Overpayments identified	£112,712
Total Financial Outcomes from Counter Fraud Team	**£393,969**

4. Audit of Direct Payments

4.1 The Direct Payments (DP) Audit team undertakes a dual role of:

- ensuring client spending is in line with their agreed Support Plan; and
- identifying overpayments made / or client contributions outstanding for recovery.

4.2 The team continues to perform well. **Appendix 2** sets out the key outcomes by Quarter, which are summarised below for the eleven months to 28 February 2022.

Direct Payments team 2021/22	**Total**
Number of Children's DP audits undertaken	136
Funds requested during Children's Personal Budget (PB) Audit	£128,693
Number of Adults DP audits undertaken	1,000
Funds requested during Adults PB Audit	£2,680,523
Total Financial Outcomes from Direct Payment Audit Team	**£2,809,216**

4.3 Following a successful pilot exercise, the Direct Payment Audit Team will also continue to conduct audits of Personal Health Budgets with colleagues from NHS England and Oldham Cares.

4.4 As noted at 2.4 above, the DP audit team will also contribute to the working group established to review how the Adult Social Care Service might utilise the outcomes of this work more effectively.

5 Options/Alternatives

5.1 The Audit Committee can either:

a) choose to accept and note the progress achieved and performance by the Audit and Counter Fraud Team; or
b) decline to accept and note the progress achieved and performance by the Audit and Counter Fraud Team and suggest an alternative approach.

6 Preferred Option

6.1 The preferred option is that the Audit Committee accepts and notes the progress achieved and performance by the Audit and Counter Fraud Team.

7 Consultation

7.1 N/A.

8 Financial Implications

8.1 N/A.

9 Legal Services Comments

9.1 N/A.

10 Cooperative Agenda

10.1 N/A.

11 Human Resources Comments

11.1 N/A.

12 **Risk Assessments**

12.1 The 2021/22 Audit and Counter Fraud Plan is prepared, reviewed, and updated using a risk-based approach. The Terms of Reference for each agreed project are also determined using a risk-based methodology. (Mark Stenson)

13 **IT Implications**

13.1 N/A.

14 **Property Implications**

14.1 N/A.

15 **Procurement Implications**

15.1 N/A.

16 **Environmental and Health & Safety Implications**

16.1 N/A.

17 **Equity, Community Cohesion and Crime Implication**

17.1 N/A.

18 **Equality Impact Assessment Completed**

18.1 No.

19 **Forward Plan Reference**

19.1 N/A.

20 **Key Decision**

20.1 No.

21 **Background Papers**

21.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act

File Ref:	Background papers are included as Appendices 1 & 2
Officer Name:	Mark Stenson
Contact No:	0161 770 4783

22 **Appendices**

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Reports – Quarters 1 to 4
- **Appendix 2:** Counter Fraud and Direct Payments Results – 1 April 2021 to 28 February 2022

Appendix 1

Audit and Counter Fraud 2021/22 - Summary of Audit Reports Quarters 1 to 4

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
1	People and Place	People Programme - Assurance Group Highlight Report	Report	Q1	Advisory
2	Children's Services	Troubled Families	Grant Assurance	Q2	Assurance
3	Children's Services	Draft report - Imprest Accounts and Cash Handling	Report	Q3	Adequate
4	Children's Services	Final report - Alexandra Park Junior School	Report	Q3	Inadequate
5	Chief Executive	Coalessce	Grant Assurance	Q1	Assurance
6	Chief Executive	Redwolf	Grant Assurance	Q2	Assurance
7	Chief Executive	Foundations	Grant Assurance	Q2	Assurance
8	Chief Executive	Reduces	Grant Assurance	Q2	Assurance
9	Chief Executive	2020/21 Final - Accounts Payable	Report	Q1	Adequate
10	Chief Executive	2020/21 Final - Accounts Receivable	Report	Q1	Adequate
11	Chief Executive	2020/21 Final - Bank Recs	Report	Q1	Good
12	Chief Executive	2020/21 Final - Cash Income	Report	Q1	Adequate
13	Chief Executive	2020/21 Final - Council Tax	Report	Q1	Adequate
14	Chief Executive	2020/21 Final - Council Tax Reduction	Report	Q1	Adequate
15	Chief Executive	2020/21 Final - Fixed Assets	Report	Q1	Adequate
16	Chief Executive	2020/21 Final - Housing Benefits	Report	Q1	Adequate
17	Chief Executive	2020/21 Final - NDR (Business Rates)	Report	Q1	Adequate
18	Chief Executive	2020/21 Final - Payroll	Report	Q1	Inadequate
19	Chief Executive	2020/21 Final - Treasury Management	Report	Q1	Good
20	Chief Executive	2020/21 Final - Personal Budgets	Report	Q1	Inadequate
21	Chief Executive	2020/21 Final - Residential Care	Report	Q1	Inadequate
22	Chief Executive	2021/22 Draft Interim report– Council Tax	Report	Q3	Inadequate

23	Chief Executive	2021/22 Draft Interim report – Business Rates (NDR)	Report	Q3	Good
24	Chief Executive	2021/22 Draft Interim report – Treasury Management	Report	Q3	Good
25	Chief Executive	2021/22 Draft Interim report – Bank Reconciliations	Report	Q3	Good
26	Chief Executive	2021/22 Draft Interim report – Payroll	Report	Q4	Adequate
27	Chief Executive	2021/22 Draft Interim report – Housing Benefit	Report	Q4	Opinion withheld
28	Chief Executive	2021/22 Draft Interim report – Council Tax Reduction	Report	Q4	Opinion withheld
29	Chief Executive	2021/22 Draft Interim report – Accounts Payable	Report	Q4	Adequate
30	Chief Executive	2021/22 Draft Interim report – Accounts Receivable	Report	Q4	Adequate
31	Chief Executive	2021/22 Draft Interim report – Direct Payments	Report	Q4 Pending	Inadequate
32	Chief Executive	2021/22 Draft Interim report – Residential Care	Report	Q4 Pending	Inadequate
33	Chief Executive	2021/22 Draft Interim report – Fixed Assets	Report	Q4	Adequate
34	Chief Executive	Draft report - The Oldham Academy North	Report	Q3	Inadequate
35	Chief Executive	Local Growth Fund	Report	Q2	Assurance
36	Chief Executive	Business Grant Assurance Assessment - April 21	Grant Assurance	Q1	Assurance
37	Chief Executive	Local/Mayoral Election - Post Votes Review	Report	Q2	Advisory
38	Chief Executive	Local Elections Postal Vote Checks	Briefing note	Q1	Advisory
39	MioCare Group CIC	MioCare – Financial System Review	Report	Q1	Advisory
40	MioCare Group CIC	MioCare – Performance Review	Report	Q3	Advisory
41	External	Shaw and Crompton Parish Council Internal Control	Report	Q2	Advisory

Key:

Opinion	**Description**
Advisory	The work in this area is either not audit work in nature and/or is undertaken on behalf of third parties.
Assurance	The work in this area has been undertaken in order to provide assurance that monies have been spent as intended.
Poor	Action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Inadequate	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and/or control to effectively manage risks to the achievement of objectives in the area audited.

Adequate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance and/or scope for improvement were identified which could put at risk the achievement of objectives in the area audited.
Good	A sound system of governance, risk management and/or control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Opinion withheld	Opinion has been withheld at interim stage pending further fieldwork required at final report stage in order to arrive at an opinion on the systems and controls in place.
TBC	Opinion awaiting confirmation following further discussion with management.

Appendix 2

Corporate Counter Fraud Team 2021/22	Qtr 1	Qtr 2	Qtr 3	Jan & Feb 2022	Total
Corporate Cases - Positive Results	16	1	94	3	114
Fraud and Error Overpayments identified as part of Corporate Cases	£22,254	£843	£54,955	£0	£78,052
CTR cases amended as a result of an investigation	18	8	28	16	70
HB Fraud and Error Overpayments identified as part of a CTR investigation	£10,272	£89,383	£66,071	£37,479	£203,205
CTR Fraud and Error Overpayments identified (£)	£28,332	£28,163	£40,984	£15,233	£112,712
Total Financial Outcomes from Counter Fraud Team	**£60,858**	**£118,389**	**£162,010**	**£52,712**	**£393,969**

Direct Payments Audit Team 2021/22	Qtr 1	Qtr 2	Qtr 3	Jan & Feb 2022	Total
Number of Children's DP audits undertaken	15	36	44	41	136
Funds requested during Children's PB Audit including Financial Assessment	£17,601	£37,713	£46,660	£26,719	£128,693
Number of Adults DP audits undertaken	257	230	288	225	1,000
Funds requested during Adults PB Audit including Financial Assessment	£519,208	£574,871	£872,991	£713,453	£2,680,523
Total Financial Outcomes from Direct Payment Audit Team	**£536,809**	**£612,584**	**£919,651**	**£740,172**	**£2,809,216**

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Report to Audit Committee

Proposed Audit Committee Work Programme for 2022-23

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Assistant Director of Corporate Governance and Strategic Financial Management

Ext. 4783

10 March 2022

Reason for Decision

The workplan below sets out the proposed schedule of Audit Committee meetings for 2021/22 and early 2022/23, including meeting date and venue, agenda item and brief summary of the report issue.

Executive Summary

The workplan is updated and reviewed on a regular basis and the current proposed schedule is attached below. The plan is shaped by the Council's formal reporting structures and the timings of the meetings and agenda items are scheduled to reflect this. Any urgent or new developments will be added to the workplan accordingly.

Recommendations

That Members of the Audit Committee are asked to note the proposed workplan and comment where necessary.

Proposed Audit Committee Work Programme for 2021/22 and early 2022/23

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Thursday 9 September 2021, 6.00pm.	Audit Findings Report.	Updated report to support the external audit of the 2020/21 Statement of Final Accounts.
	2020/21 Statement of Final Accounts.	This is a progress report on the audit of the 2020/21 Statement of Final Accounts.
	Update on Financial Administration in Local Authorities.	A report detailing challenges experienced in the financial administration at other local authorities as reported in the public domain. The aim is to target the work of the Committee alongside the Scrutiny function.
	Work Programme for the Performance Overview Scrutiny Committee.	A report on the proposed work programme of the key Scrutiny Committee to ensure its work and that of the Audit Committee both cover the key areas of administration to ensure appropriate oversight in the Council.
	Proposed Audit Committee Work Programme for the Statement of Accounts 2021/22.	This report detailing the proposed work programme to support the approval of the 2021/22 Statement of Final Accounts.
	Private Report; Update on Annual Governance Statement for 2020/21 and New Issues for 2021/22.	This updates the Audit Committee on key matters included within the Annual Governance Statement, the Corporate Risk Register and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.
	Private Report; Business Grant Schemes Assurance Report.	This sets out the return provided to the Department of Business, Enterprise and Industrial Strategy about the governance processes supporting Business Grants provided as Emergency Support during lockdown.
	Private Report; Update on the Corporate Risk Register.	This sets out the position as of 30 June 2021 in relation to matters included on the Corporate Risk Register.

Proposed Audit Committee Work Programme for 2021/22 and early 2022/23

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Tuesday 2 November 2021, 6.00 pm	Project Governance Process – Alexandra Park Eco Centre.	As requested by the Committee a report setting out the planned governance process of a major capital process.
	2020/21 Statement of Final Accounts.	This report details the audited opinion for the 2020/21 Statement of Final Accounts.
	External Audit Progress Report November 2021.	An update produced by the External Auditor of issues to be brought to the attention of this Committee.
	Update on progress in addressing the recommendation made by the External Auditor in the 2020/21 Audit Findings Report.	To provide and update on the improvement in the in the four areas as recommended in the 2020/21 Audit Findings Report.
	Update on External Audit Matters.	An update if required, on national developments linked into the ongoing developments and consultations on the provision of external audit to Local Government Bodies
	Treasury Management Mid-Year Review.	The planned scrutiny of the 2021/22 Treasury Management mid-year review report before submission to Cabinet in November.
	Revision to the Reserves Policy for 2020/21 in 2021/22.	An update report by the Director of Finance to the Audit Committee to reflect a change in the Policy previously reported.
	Audit and Counter Fraud Progress Report including significant issues highlighted on internal control.	This is the routine report on the progress made against the agreed audit and counter fraud plan detailing any control weaknesses identified.
	Proposed Audit Committee Work Programme for 2022/23.	This report detailing the proposed work programme for 2022/23 including actions required to support the approval of the 2021/22 Statement of Final Accounts.
	Private Report; Partnership Risk Dashboard.	This is the regular report produced for the Committee to assess the ongoing risk to the Council from its key partnerships.

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Private Report; Update on the Annual Governance Statement for 2020/21 and new issues for 2021/22.	This updates the Audit Committee on key matters included within the Annual Governance Statement and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.
Tuesday 17 January 2022, 6.00pm.	2020/21 Annual Statement of Accounts including the 2020/21 Auditors Annual Report.	This report provides an update on the final accounts and informs the Committee on key matters such as the future appointment pf the external auditors using Public Sector Audit Appointments (PSAA). The report also details the value for money opinion provided by the external auditor under the revised Code of Practice for the financial year 2020/21.
	Compliance with the Chartered Institute of Finance and Accountancy (CIPFA) Code of Financial Management.	This report details the assessment within Oldham Council on how it complies with the CIPFA Code of Financial Management with appropriate recommendations for improvement.
	Treasury Management Strategy Statement 2022/23.	This sets out the Proposed Treasury Management Strategy for 2022/23 to support the Corporate Objectives of the Council.
	2021/22 Internal Audit and Counter Fraud Progress Report.	This is the routine report on the progress made against the agreed audit and counter fraud plan detailing any control weaknesses identified.
	Proposed Audit Committee Work Programme for 2022/23.	This report detailing the proposed work programme to support the approval of the 2021/22 Statement of Final Accounts.
	Private Report; Update on the Annual Governance Statement for 2020/21 and new issues for 2021/22.	This updates the Audit Committee on key matters included within the Annual Governance Statement, the Corporate Risk Register and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.
	Private Report; Senior Information Officer update	This updates the Audit Committee on the key matters relating to data protection and information security breaches.

Proposed Audit Committee Work Programme for 2021/22 and early 2022/23

Meeting Date & Venue	Agenda Item	Summary of Report Issue
Thursday 10 March 2022, 6.00 pm	Audit Strategy Memorandum.	An update on the proposed external audit to be undertaken on the 2021/22 Final Accounts.
	Audit of Teachers' Pensions Agency Return 2020/21.	This report considers the feedback following the external Audit of the Teachers' Pension Agency return.
	2021/22 Proposed Accounting Policies and Critical Judgements.	In advance of the approval of the accounts an opportunity for the Audit Committee to review the Proposed Policies and Judgements for 2021/22 Statement of Accounts.
	Audit and Counter Fraud Progress Report.	This is the routine report on the progress made against the agreed Internal Audit and Counter Fraud Plan.
	Proposed Audit Committee Work Programme for 2022/23.	This report detailing the proposed work programme to support the approval of the 2021/22 Statement of Final Accounts.
	Update on Payroll Matters.	This updates the Audit Committee on the key internal control matters supporting the administration of the payroll system identified as a key area for improvement.
	Private Report; Internal Audit Plan 2022/23.	The proposed plan of work for the financial year 2022/23 to enable review by the Committee.
	Private Report; Update on the Annual Governance Statement for 2020/21 and new issues.	This updates the Audit Committee on key matters included within the Annual Governance Statement, the Corporate Risk Register and ad hoc matters the Assistant Director of Corporate Governance and Strategic Financial Management highlights to the Audit Committee.
Early June 2022, 6.00pm	Data Protection Update.	Routine six monthly report by the Data Protection Officer as required under GDPR.

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	External Audit Progress Report May 2022.	An update produced by the external auditor of issues to be brought to the attention of the Committee.
	Audit of Housing Benefit Subsidy 2020/21.	This report considers the feedback on the audit of the housing subsidy grant claim.
	Informing the Risk Assessment 2021/22 (Director of Finance).	This report details the questions to those charged with Governance to enable the Statement of Financial Accounts to be audited.
	Informing the Risk Assessment 2021/22 (Chair of the Audit Committee).	This report details the questions to those charged with Governance to enable the Statement of Financial Accounts to be audited.
	Review of System of Internal Audit by the Audit Committee.	Annual Review of the system of internal audit using the balanced scorecard.
	2022/23 Internal Audit and Counter Fraud Plan.	The proposed plan of work for the financial year 2022/23 to enable review by the Committee.
	Internal Audit Charter 2022/23.	Proposed update to the Audit Charter for 2022/23 to reflect any changes required.
	Update of Local Code of Corporate Governance to June 2022.	Update of the previously agreed Local Code of Corporate Governance.
	Private Report: Corporate Risk Register 2021/22 – end of year review.	This updates the Audit Committee on the implementation of the Framework previously agreed and the issues identified in the Corporate Risk Register.
September 2021, 6.00pm	2021/22 Annual Report by the Assistant Director of Corporate Governance and Strategic Financial Management.	Annual Report based on the work conducted by Audit and Counter Fraud Team, Insurance/ Risk and Information Governance teams to determine the overall control environment of the Council.

Proposed Audit Committee Work Programme for 2021/22 and early 2022/23

Meeting Date & Venue	Agenda Item	Summary of Report Issue
	Annual Governance Statement 2021/22.	Draft Annual Governance Statement included within the Statement of Accounts for review and scrutiny.
	2021/22 Draft Annual Statement of Accounts.	Draft Statement of Accounts subject to external audit for approval by the Committee.
	Review of Corporate Fraud Policies.	An annual review of the Counter Fraud Suite of policies to reflect the recent legislation.
	Private Report; Senior Information Risk Owner (SIRO) Update.	Annual report of the SIRO including an overview of reported data breaches.
	Private Report; Partnership Risk Dashboard.	This is the regular update requested by the Committee on partnership governance considering potential issues identified on governance elsewhere.
	Review of Corporate Fraud Policies.	An annual review of the Counter Fraud suite of policies to reflect the recent legislation.
	Private Report; Senior Information Risk Owner (SIRO) Update.	Annual report of the SIRO including an overview of reported data breaches.
	Private Report; Partnership Risk Dashboard.	This is the regular update requested by the Committee on partnership governance considering potential issues identified on governance elsewhere.

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Report to Audit Committee

Update on Payroll Matters

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

Officer Contact: Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

Report Author: Mark Stenson – Assistant Director of Corporate Governance and Strategic Financial Management

Ext. 4783

10 March 2022

Reason for Decision

To provide Members with an update on Payroll issues previously identified as requiring action and improvement.

Executive Summary

This report summarises the findings of the most recent Interim Payroll Fundamental Financial Systems (FFS) review, and progress against recommendations previously made.

The most recent review found that good progress has been made on a number of fronts. So much so that the latest audit review opinion is that system improvements and processes now in place are adequate to address the majority of control risks faced by the service.

This represents a significant increase in assurance level as Members have been advised for many years that the audit opinion was either inadequate or weak and that the Council's payroll arrangements required considerable improvement and development. The report highlights areas of improvement and, where further improvements have been recommended, these are summarised at Section 3.

Recommendation

Members are requested to note the contents of this update report.

Payroll Update Report

1. **Background**

1.1 The Council's Payroll processes and procedures have been an area of weakness identified in a number of past Annual Governance Statements. The Committee has requested an update report to ensure that progress is made in addressing control weaknesses that have been identified.

1.2 Following a procurement exercise in April 2019 the Council agreed to implement iTrent, a leading HR and Payroll software package provided by Midland HR (MHR) which is used in many Local Authorities. The iTrent system replaced the Agresso payroll system (previously used for the Council and MioCare payroll) and the Selima system (previously used for Oldham Schools and Academies payroll). The implementation of the iTrent system look place on a phased basis starting in January 2021 with the Council and MioCare payrolls, February 2021 for Schools and Academies and March 2021 for time and expenses functionality. Therefore, 2021/22 will be the first full financial year the Council has operated this system.

The main content of the report is structured as follows:

- Section 2: Areas of good practice noted.
- Section 3: Summary of current recommendations for further improvement.
- Section 4: Way forward.

2. Areas of good practice noted

2.1 The implementation of the iTrent system, as with all new systems, has been challenging for the Payroll Team. Not least due to the timing of the implementation during the pandemic. A number of issues have arisen over the past 12 months. By and large these have been gradually, and successfully, resolved by the team over time.

2.2 Our review did not highlight concerns in connection with areas we would consider to be fundamental payroll weaknesses, e.g. failure to pay employees on time, or large numbers of incorrect payments.

2.3 Other areas of good practice noted during the review included the following:

- Auto-enrolment of new starters into a pension scheme takes place in line with policy and regulations.
- Records are retained to show the quality assurance and review of payroll transactions, and the subsequent approval of the salary payments by the HR, Payroll and Pensions Operations Manager.
- Errors and warnings reports are produced before each pay run to identify payments that are significantly different from expected.
- BACS and CHAPS payments made outside of the normal monthly payroll cycle are approved and can be verified to supporting documentation.
- Expenses are processed in a timely manner.

3. Summary of current recommendations for further improvement.

3.1 As noted above, the implementation of new IT systems seldom runs completely smoothly. The Payroll Team has managed the implementation gradually and successfully over the last 12 months and continues to do so. There is continued system development and improvement going forward as issues come to light. This is normal in any system.

3.2 The ongoing issues noted below are summarised by type. The payroll team is confident that they will continue to incrementally address, strengthen and improve controls in the areas highlighted. As noted above, none of the issues identified are considered to represent a fundamental payroll system weakness. Areas for further improvement are discussed below.

Reconciliation between the payroll system and the ledger

3.3 Reasons for a number of imbalances between these systems have been investigated and resolved over the last 12 months. There remain some outstanding causes of imbalance each month requiring manual intervention to correct. The Payroll team are currently investigating the possibility of a more efficient system based solution to this issue. However, the current manual intervention represents an acceptable control mechanism in the absence of this system improvement.

Supporting records for starters, leavers and variations to pay

3.4 Some supporting documentation in relation to these areas was found to either not have been retained or filed incorrectly. The service has already issued reminders and changed processes in most cases. No incorrect payments were identified as a result of misplaced or misfiled records.

Pre-employment and Right to Work Checklist – Schools

3.5 Responsibility for conducting pre-employment checks lies with school Governing Bodies. However, in the case of maintained schools, the Council remains the employer of school staff, not the Governing Body. In addition to the child protection concerns, which these checks are intended to mitigate, the Council bears a risk as the employer should harm occur following failure to complete appropriate checks. The payroll team will liaise with the Director of Education to discuss central retention of these records going forward.

Payroll processing timetable

3.6 The payroll team have agreed to introduce a formal timetable for the monthly payroll run.

4. Way forward

4.1 The Audit and Counter Fraud team will continue to work and liaise closely with the Payroll Team to monitor and report on further developments and performance going forward.

5 Options/Alternatives

5.1 The Audit Committee can either:

a) choose to accept and note the update report; or
b) decline to accept and note the update report and suggest an alternative approach.

6 Preferred Option

6.1 The preferred option is that the Audit Committee accepts and notes the update report.

7 Consultation

7.1 There has been consultation with the Payroll Team in the preparation of this report.

8 **Financial Implications**

8.1 N/A.

9 **Legal Services Comments**

9.1 N/A.

10 **Cooperative Agenda**

10.1 N/A.

11 **Human Resources Comments**

11.1 N/A.

12 **Risk Assessments**

12.1 N/A

13 **IT Implications**

13.1 N/A.

14 **Property Implications**

14.1 N/A.

15 **Procurement Implications**

15.1 N/A.

16 **Environmental and Health & Safety Implications**

16.1 N/A.

17 **Equity, Community Cohesion and Crime Implication**

17.1 N/A.

18 **Equality Impact Assessment Completed**

18.1 No.

19 **Forward Plan Reference**

19.1 N/A.

20 **Key Decision**

20.1 No.

21 Background Papers

21.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background papers are reports included in Annual Governance reports presented to the Audit Committee
Officer Name: John Miller
Contact: john.miller@oldham.gov.uk

22 Appendices

22.1 N/A

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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