
Report to Audit Committee

2019/20 Annual Statement of Accounts

Portfolio Holder: Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member - Finance and Green

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Reason for Decision

The Audit Committee is charged with scrutiny and approval of the Statement of Accounts. This report presents an update on the progress of the auditing and approval of the 2019/20 Statement of Accounts.

Executive Summary

Members will recall that at the last meeting of the Audit Committee on 21 July 2020, the Statement of Accounts were presented to Committee for approval. It had initially been expected that the External Auditor would have completed the audit by the time of the meeting, but prior to the issue of the agenda papers it was realised that although the audit of the Accounts was substantially complete, there were still some outstanding items. These items were not expected to have a significant impact on the final position.

It was therefore agreed that the Committee would delegate the final approval of the Council's Statement of Accounts (once there has been a satisfactory resolution to the outstanding items) to the Vice Chair of the Committee and the Director of Finance on receipt of the advice of the External Auditor that all matters had been satisfactorily concluded.

The External Auditor, in a report elsewhere on the agenda, advises that the audit is still not complete but that the expectation is that final elements of the work will be concluded and there will be the provision of the audit report during September 2020.

Recommendations

It is recommended that the Audit Committee:

- a) Notes the progress on the audit of the Accounts
- b) Confirms the delegation of the approval of the Council's 2019/20 Statement of Accounts to the Vice Chair of the Audit Committee and Director of Finance on receipt of advice from the External Auditor.

1 Background

- 1.1 The Council is required to prepare a Statement of Accounts for each financial year. The accounts must be prepared in accordance with statutory timelines and accounting practices. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which attempt to facilitate the production of accounts in a standardised and consistent format across the public and private sectors giving greater transparency for stakeholders.
- 1.2 These accounting practices are set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) 2019/20 Code of Practice on Local Authority Accounting in the UK and any additional CIPFA guidance such as the year end Final Accounts Bulletins. Members of the Audit Committee can be assured that the accounts were prepared so that all the requirements of the Code have been complied with.
- 1.3 For 2019/20 the requirements and timeline for the approval of a Local Authority's Statement of Accounts as set out in the Accounts and Audit Regulations 2015 have been revised. It was recognised by the Government that the COVID-19 pandemic would have an impact on the ability of Councils to comply with the statutory deadlines. Therefore, after consultation with key stakeholders, the Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015. The regulations implementing these measures were laid on 7 April and came into force on 30 April 2020.
- 1.4 The impact on deadlines and timescales is as follows:
- the publication date for final, audited, accounts has moved from 31 July for Category 1 Authorities and 30 September for Category 2 Authorities to 30 November 2020 for all Local Authority bodies (Oldham Council is a Category 1 body).
 - To give Local Authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June (for Category 1 Authorities) and July (for Category 2 Authorities) has been removed. Instead Local Authorities must commence the public inspection period on or before the first working day of September 2020.
- 1.5 This means that draft accounts must be approved by 31 August 2020 at the latest or may be approved earlier, wherever possible.
- 1.6 For this year 2019/20, Authorities had to publish the dates of their public inspection period, providing a public notice on their websites when the public inspection period would usually commence, explaining why they are departing from normal practice for 2020. The Council published such a notice.
- 1.7 The legislation requires that following the conclusion of a 30-day period of public inspection the Council must submit the Statement of Accounts for consideration and approval to Committee or by Members meeting as a whole. For Oldham, the body designated to receive the accounts is the Audit Committee.
- 1.8 The public inspection period for the 2019/20 Statement of Accounts began on 1 June 2020 and concluded on 10 July 2020. The Council received no objections to the Statement of Accounts.

2 Current Position

- 2.1 The Council submitted its draft financial statements to the External Auditors, Mazars LLP, on 31 May 2020 which was a little later than expected due to the impact of the pandemic. However, it must be noted that this was within the original statutory deadline of 31 May 2020. The public inspection period began on 1 June and concluded on 10 July 2020.
- 2.2 In line with good practice, the draft Statement of Accounts was issued to Audit Committee members. There was a high level summary of the 2019/20 outturn and a progress update presented at the Audit Committee of 4 June 2020. The accounts were presented for review at the Audit Committee meeting of 23 June 2020. This gave members of the Audit Committee the opportunity to consider the key issues and ask officers and the External Auditor any relevant questions. All matters raised were addressed at the meeting to the satisfaction of the Committee.
- 2.3 The accounts were presented to the Audit Committee for approval on 21 July 2020 when it was initially expected that the External Auditor would have completed the audit. Prior to the issue of the agenda papers it was realised that the audit of the Accounts was substantially complete, but there were still some outstanding items. The Council understood these to be 2 items as follows:
- a) The Input level in fair value hierarchy of Manchester Airport Holding Limited (MAHL) of the valuation. This matter had not been resolved due to additional discussions required with the Council's external advisors (BDO) and the external auditors.
 - b) Before Mazars could finalise the audit of the Council's pension fund liability they have to have assurance with regard to the audit of the Greater Manchester Pension Fund (GMPF). The GMPF assurance work had not concluded.
- 2.4 As it was accepted that the outstanding matters involved external organisations and it may not have been possible to resolve matters by the meeting of 21 July, the recommendation of the report to the Committee was that it considered the accounts but delegated the final approval of the Council's Statement of Accounts (once there has been a resolution to the two items) to the Vice Chair of the Audit Committee and the Director of Finance on receipt of the full agreement of the External Auditor. The Committee approved the recommendation.
- 2.5 The External Auditor is required to present an Annual Audit Completion Report (ACR) and Value for Money (VFM) Conclusion. A draft report was presented to the Committee at the 21 July meeting and showed a number of areas of audit work still to complete. It had been anticipated that by the time of the meeting, except for the items above, all other outstanding audit items would have been completed. Unfortunately, this was not the case and a range of matters still required resolution at the time of the meeting. Assurances were given to the Committee by the Auditor that there was unlikely to be any significant impact arising from the outstanding matters, but that there was still more work to be completed.
- 2.6 The ACR highlighted the areas as still outstanding at 21 July. These are shown in the table below, together with their current status. An Audit Progress Report is included elsewhere on the agenda which updates Members as to the current position. It is important to note that the one area still to complete is outside the control of the Council.

Audit Area	Status at 21 July 2020	Current Status
Valuation of Property, Plant and Equipment	Final stages of testing the Councils valuation of land and buildings	Completed
Valuation of Heritage Assets	Final stages of testing the Councils valuation of heritage assets	Completed
Valuation of investment properties	Awaiting assurance from the external valuation expert on the Councils valuation of its lease of land to Manchester Airport	Completed
Valuation of Investments	Concluding consideration of the Councils categorisation of the Long Term investment in Manchester Airport	Completed
	Third party confirmation of the balance for one of the Councils investments	Completed
Short Term Debtors Valuation of Pension Liabilities	Waiting evidence to conclude testing of the Councils calculation of its impairment of debtors	Completed
Valuation of Pension Liabilities	Completing the final elements of the testing of the Council's and subsidiaries net Pension Liabilities	To conclude when the assurance below is received
	Awaiting the assurance letter from the Greater Manchester Pension Fund following completion of their audit	Still to conclude
Provisions, Contingent Assets & Contingent Liabilities	Completing testing on the compliance of the disclosed provisions and contingent assets & liabilities with accounting standards	Completed
Signed final statements and signed Management Letter of Representation	To complete the final review of the financial statements to confirm all expected changes have been made, upon receipt of the signed version of the accounts and letter of representation	To conclude when all outstanding matters are completed

2.7 The Auditor expects all outstanding matters to have concluded during September. As such, the Committee is asked to confirm that it is content to leave the existing delegation in place so that accounts can be approved by the Vice Chair of the Audit Committee and the Director of Finance on receipt of advice from the External Auditor that all outstanding matters are resolved. It is important to note that there have been no changes to the accounts since the meeting of the Committee on 21 July 2020 so Members have received the most up to date documentation at this point.

2.8 A further update report will be presented at the next Audit Committee meeting.

3 Options/Alternatives

- 3.1 The Audit Committee members can either choose to accept the recommendations in the report or suggest an alternative.

4 Preferred Option

- 4.1 The preferred option is that Audit Committee accepts the recommendations in the report.

5 Consultation

- 5.1 Consultation has taken place with the Council's External Auditors, Mazars LLP, in addition members of the public have the opportunity to inspect the Council's Statement of Accounts and supporting documents during the 30-day public inspection period which concluded on 10 July 2020.
- 5.2 A high-level summary of the provisional outturn position and an update on the preparation of the Council's draft Statement of Accounts for the financial year 2019/20 was presented to the Audit Committee meeting of 4 June 2020. The draft Statement of Accounts was reviewed at the Audit Committee meeting of 23 June 2020 and was a key element of the consultation process. The draft Statement of Accounts was again presented to the Audit Committee on 21 July 2020. The update on the progress of the audit provides Members with further information about the timeline for the approval of the accounts.

6 Financial Implications

- 6.1 Dealt with in the body of the report.

7 Legal Services Comments

- 7.1 There are no Legal implications.

8 Co-operative Agenda

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

9 Human Resources Comments

- 9.1 There are no Human Resource implications.

10 Risk Assessments

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

11 IT Implications

- 11.1 There are no IT implications as a result of this report

12 Property Implications

- 12.1 There are no Property implications.

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- 13 **Procurement Implications**
- 13.1 There are no Procurement implications.
- 14 **Environmental and Health and Safety Implications**
- 14.1 There are no Environmental and Health & Safety implications as a result of this report.
- 15 **Equality, Community Cohesion and Crime implications**
- 15.1 There are no Equality, community cohesion and crime implications.
- 16 **Equality Impact Assessment Completed?**
- 16.1 Not Applicable
- 17 **Key Decision**
- 17.1 No
- 18 **Key Decision Reference**
- 18.1 Not Applicable.
- 19 **Background Papers**
- 19.1 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 were provided at the Audit Committee meeting of 21 July 2020
- Officer Name: Lee Walsh
- Contact No: 0161 770 6608
- 20 **Appendices**
- 20.1 None