



Oldham
Council

Report to Audit Committee

2020/21 Annual Statement of Accounts

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

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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 current position regarding the audit and approval of the 2020/21 Statement of Accounts and an update on the outstanding audit issues presented previously to the Committee. It also advises of the arrangements for the procurement of an auditor for the period 2023/24 to 2027/28 and proposed changes to audit deadlines.

Executive Summary

The report presents an update on the Council's Statement of Accounts for the financial year 2020/21.

Members will recall that at the meeting of the Audit Committee on 2 November 2021, they were updated on the completion of the Accounts and notified that the accounts were signed off on 30 September 2021 in line with the statutory deadline. As noted at the meeting there were still two outstanding items in relation the audit process for 2020/21, the:

- a) Value for Money (VFM) opinion
- b) Whole of Government Accounts (WGA)

This report updates Members that one matter, the Value for Money opinion, has been concluded. The VFM opinion considers the three reporting criteria of:

- a) Financial Sustainability
- b) Governance
- c) Improving Economy, Efficiency and Effectiveness

On all 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 arrangements identified.

The Whole of Government Accounts is still outstanding and will be completed early in 2022.

The report also provides an update on the:

- Procurement of the Council's External Auditors for the period 2023/24 to 2027/28 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 1 April 2023 as approved at the Council meeting on 15 December 2021.
- Changes to the deadline for publishing audited Local Authority accounts to 30 November 2022 for the 2021/22 accounts and 30 September for 5 years from 2023/24 to 2027/28.

Recommendation

Audit Committee members are recommended to note the content of the report and the Auditor's Annual Report for the year ending 31 March 2021 which encompasses the Council's Value for Money Opinion.

1 Background

- 1.1 The Council is required to prepare a Statement of Accounts for each financial year in accordance with statutory timelines and accounting practices. The accounts are subject to scrutiny and approval by the Council's Audit Committee.
- 1.2 The Council submitted its draft financial statements to the External Auditors, Mazars LLP, on 6 June 2021 which was a little later than expected due to the impact of the pandemic. In order to facilitate the audit process, the Council made working papers available to the auditors prior to the handover of the Statement of Accounts. The public inspection period began on 17 June and concluded on 28 July 2021.
- 1.3 The draft Statement of Accounts was presented to the Audit Committee for scrutiny on 29 June 2021. Following review by Mazars LLP the audited Statement of Accounts was considered at Audit Committee on 29 July 2021. This gave Members the opportunity to consider the key issues, understand any movements from the draft accounts and ask officers and the External Auditor any relevant questions. Members also considered the draft Audit Completion Report (ACR) prepared by the External Auditor.
- 1.4 However, at the meeting on the 29 July 2021, there were some outstanding items that had yet to be completed. The outstanding items that related to areas where the Council could assist with the final audit queries were:
- a) Work on the consolidation of the Council's Group Accounts
 - b) The completion of work on the IT audit

However, before Mazars could finalise the audit of the Council's pension fund liability they required assurance with regard to the audit of the Greater Manchester Pension Fund (GMPF). This item was beyond the influence of the Council.

- 1.5 Members were, however, content to accept the amended set of financial statements as at 29 July 2021 and delegated the final approval of the Accounts to the Vice Chair of the Audit Committee after consultation with the Director of Finance on receipt of advice from the External Auditors.
- 1.6 Following the completion of the outstanding work, and in line with the authority delegated by Audit Committee, the Vice Chair of the Audit Committee approved and signed the Statement of Accounts on 30 September 2021 after consultation with the Director of Finance and after advice from the External Auditors. This was in line with the statutory deadline and enabled the Council to be one of only 9% of Local Authorities to have its accounts approved by the deadline.

2 Current Position

- 2.1 Mazars LLP has now completed work on the Value for Money (VFM) opinion in respect of the Council's arrangements for the year ended 31 March 2021 and on 17 December issued the Auditors Annual Report (attached as Appendix 1). The Council can report that the auditor, Mazars LLP, did not identify any significant weaknesses in arrangements that require them to make a recommendation.
- 2.2 The VFM opinion is assessed on 3 reporting criteria:
- 1) Financial Sustainability
 - 2) Governance

3) Improving Economy, Efficiency and Effectiveness

- 2.3 On all 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 arrangements identified.
- 2.4 It is important to note that the audit process cannot be fully finalised until the Whole of Government Accounts (WGA) audit is completed. The WGA audit cannot be undertaken yet and is programmed for early 2022.
- 2.5 Following the conclusion of the WGA audit work, the Council will advertise the completion of the 2020/21 audit process on its website and update Members of the Audit Committee.

Procurement of the Council's External Auditors 2023/24 to 2027/28

- 2.6 Members will recall that at the last Audit Committee, a report provided an update on the appointment regime for the Council's External Auditors. This advised that:
- a) The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council, as with the vast majority of other Councils, opted into the 'appointing person' national auditor appointment arrangements which were established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
 - b) It is now necessary to consider the appointment of an auditor for the next five year period. In this regard, PSAA is now undertaking a procurement exercise for the next appointing period, covering audits for the 2023/24 to 2027/28 financial years.
 - c) There was a requirement during Autumn 2021 for the Council alongside all Local Government bodies to make important decisions about their external audit arrangements from 2023/24, to either opt into the PSAA scheme or arrange their own procurement and make the appointment themselves.
- 2.7 The Audit Committee agreed that it would be appropriate to opt into the PSAA arrangements. However, the PSAA requirement was that a decision of full Council was required.
- 2.8 At the Council meeting on 15 December 2021, Council approved the recommended approach that the sector-wide procurement conducted by PSAA was the best option for the Council because:
- collective procurement reduces costs for those submitting bids and for individual authorities compared to a multiplicity of smaller local procurements;
 - if the Council does not use the national appointment arrangements, an auditor panel with an independent chair and independent members to oversee a local auditor procurement exercise would have to be appointed together with arrangements for the ongoing management of the audit contract;
 - it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and should the Council undertake our own procurement exercise, the Council would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and

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- supporting the sector-led body helps to ensure there is a continuing and sustainable public market into the medium and long term.

2.9 Following the decision of the Council, the PSAA has been advised of the Council's decision and all relevant information has been supplied to complete the opt-in exercise. The Audit Committee will be updated at future meetings on the appointment process and award of contract for the years 2023/24 to 2027/28.

Audit Deadlines

2.10 In March 2021 new regulations came in force to extend the deadline for publishing audited Local Authority accounts to 30 September (previously 31 July) from 2020/21, a change which the Government committed to review after 2 years.

2.11 The Intention was to revert back to the previous deadline of the 31 July. However, due to the extent of ongoing delays and capacity issues in the delivery of audited accounts for 2020/21, the decision to revert back to the previous deadline is considered to be both unrealistic and counterproductive, especially as the backlog of delayed 2020/21 audits will likely have knock-on effects for future years.

2.12 Therefore, subject to a consultation, the Government proposes to introduce secondary legislation to extend the deadline for publishing audited Local Authority accounts to 30 November 2022 for the 2021/22 accounts. Following this, and to provide certainty for the next contract period under the procurement arrangements being managed by PSAA, the audited accounts deadline will revert to 30 September for 5 years from 2023/24 until 2027/28. This will then be further reviewed at that point.

2.13 In the consultation, it is proposed that the deadline for preparing draft accounts will remain at 31 May, as the majority of Local Authorities are continuing to meet this requirement and any changes would have implications for the Whole of Government Accounts. The Audit Committee will be updated at a future meeting once the consultation is completed, and any changes are approved under legislation.

3 Options/Alternatives

3.1 The Audit Committee members can either choose to note the content of the report and the Auditor's Annual Report for the Year ending 31 March 2021 or request further information.

4 Preferred Option

4.1 The preferred option is that Audit Committee notes the content of the report and the Auditor's Annual Report for the year ending 31 March 2021.

5 Consultation

5.1 Consultation has taken place with the Council's External Auditors, Mazars LLP, in addition, members of the public had the opportunity to inspect the Council's Statement of Accounts and supporting documents. The 30-day public inspection concluded on 28 July 2021.

5.2 The draft Statement of Accounts for the financial year 2020/21 was presented to the Audit Committee meeting of 29 June 2021 which was a key element of the consultation process. Formal presentation of the accounts to Members of the Audit Committee at the meeting on 29 July 2021 allowed the opportunity for a further review and scrutiny prior to the approval of the accounts. All questions and issues raised by Members were

answered to the satisfaction of the Audit Committee.

5.3 In line with the Council's Financial Procedure Rules, the Accounts were also presented for noting to Cabinet on 15 November 2021 and Council on 15 December 2021.

5.4 Council agreed to opt into arrangements for the audit of the accounts for the period 2023/24 to 2027/28 on 15 December 2021.

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 co-operative 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.

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 are provided at Appendix 1.
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20 Appendices

20.1 Appendix 1 – Auditor’s Annual Report – Oldham Metropolitan Borough Council for the year ending 31 March 2021