



Oldham
Council

Report to Audit Committee

2021/22 Annual Statement of Accounts

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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 2021/22 Statement of Accounts.

Executive Summary

The report presents an update on the Council's Statement of Accounts for the financial year 2021/22.

The report highlights the current progress of the audit of the 2021/22 accounts by Mazars LLP. It also advises of the developments with regard to the preparation and review of the Whole of Government Accounts for both 2020/21 and 2021/22 and provides an update on the Chartered Institute of Public Finance and Accountancy (CIFPA) consultation on Infrastructure Assets.

Recommendations

That members of the Audit Committee note the update on the audit of the Council's Statement of Accounts for 2021/22 and related matters.

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 Codes of Practice issued by the Chartered Institute Of Public Finance and Accountancy (CIPFA). 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 31 May 2022. For 2021/22, and as in previous years, Authorities must publish the dates of their public inspection period, providing a public notice on their websites when the public inspection period commences. The Council published such a notice and advised that the public inspection period ran from 1 June 2022 to 14 July 2022. No questions or challenges were received during this inspection period.
- 1.3 In line with good practice, the draft Statement of Accounts was issued to Audit Committee members. The presentation of the draft Statement of Accounts provided Audit Committee Members with the opportunity to review the Council's year-end financial position before they are required to formally approve the accounts. The Statement of Accounts was presented, with a covering report outlining key issues, to the Audit Committee at its meeting of 21 June 2022. 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. An update on the progress of the audit of the accounts and other related issues was presented to the Audit Committee on 21 July 2022.
- 1.4 The legislation requires that following the conclusion of a 30-working day period of public inspection the Council is able, subject to audit, to 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. As outlined in section 2, the audit is still in progress and an update is provided elsewhere on the agenda by the External Auditor.

2 Current Position

- 2.1 As advised above, the Council submitted its draft financial statements to the External Auditors, Mazars LLP, on 31 May 2022 which is within the statutory deadline and was the Council's internal deadline as agreed with the External Auditor. The public inspection period began on 1 June 2022 and concluded on 14 July 2022.
- 2.2 The audit of the accounts commenced on 6 June 2022 and is moving to a conclusion with all queries (as far as possible) being promptly addressed. In order to facilitate the audit process, the Council made working papers available to the auditors at an early stage and as part of the Council's interim audit during the financial year.
- 2.3 The Council prepares its Statement of Accounts in line with the CIPFA Code of Practice. For 2021/22 there were no major changes to the original Code. However, as reported to the Audit Committee on 21 June 2022 with a further update on 21 July 2022, there was an emergency consultation issued on the accounting practice for Infrastructure Assets. The Council responded to the consultation which concluded on 14 June 2022.
- 2.4 On 27 July 2022, CIPFA LASAAC (a partnership between CIPFA and the Local Authority (Scotland) Accounts Advisory Committee) issued an update statement on the outcomes of the consultation on Infrastructure Asset reporting issues. In the document it stated that CIPFA LASAAC considered ways in which an adaptation could be

developed. However, it was not able to agree an approach that addressed the concerns of all stakeholders while also supporting high quality financial reporting. A key concern for CIPFA LASAAC was to ensure the best available information or evidence is being used to update the carrying value of infrastructure assets when elements are derecognised.

- 2.5 It was CIPFA LASAAC's view that a temporary solution should remain consistent with the objective of high-quality information in financial reporting. CIPFA and CIPFA LASAAC considered that a sector wide approach to resolution of the reporting of highways infrastructure assets should be sought. Further consultation with key stakeholder groups will take place to take forward better articulation and evidencing of the approach to the derecognition provisions and the remainder of its temporary proposals.
- 2.6 CIPFA LASAAC concluded that it will not take forward Code amendments that are not consistent with high quality financial reporting. As a consequence, it is unlikely that proposals for a short-term solution will alleviate all stakeholders concerns and if CIPFA LASAAC considers that there is a need to consult on an augmentation to the temporary solution it will aim to do so in the summer with resolution by autumn. At the time of writing this report, there have been no further requests for a consultation on the matter. It must again, be noted that any delays on the Infrastructure Asset reporting issues may delay the conclusion of the audit of the Council's Statement of Accounts for 2021/22.
- 2.7 Mazars LLP is not yet in a position to complete work on the Value for Money (VFM) opinion in respect of the Council's arrangements for the year ended 31 March 2022. This is not an issue for concern as work will be scheduled to be completed later in the audit and the Audit Committee will be updated by Mazars LLP as to progress.
- 2.8 It is important to note that the audit process cannot be fully finalised until all the VFM work is finalised and the Whole of Government Accounts (WGA) are completed.
- 2.9 With regard to the WGA, a delay by HM Treasury in issuing the WGA Toolkit for 2020/21 meant that work in this area could not commence in line with expected timelines. However, the Council was able to finalise and submit the WGA for the financial year 2020/21 in accordance with revised deadlines.
- 2.10 The Council has been advised that the Government does not require any audit work on the 2020/21 WGA, however, as the National Audit Office audits the WGA, it has not yet advised if it requires any work on the Oldham WGA. The External Auditor must wait for notification as to any action required.
- 2.11 Until the audit review of the WGA can be completed, the 2020/21 audit remains open. Once the 2020/21 process is completed, the Council will advertise the conclusion of the 2020/21 audit process.
- 2.12 It is important to note that the infrastructure assets issue will need to be considered in the context of the 2020/21 accounts as the Auditor must consider if there have been any developments which would have a material impact on the accounts and then take appropriate action. This will have an impact on the timeline for the conclusion of the 2020/21 audit.
- 2.13 Following the conclusion of the audit of the 2021/22 Statement of Accounts, the approval of the accounts, the production of the VFM opinion and conclusion of the 2021/22 WGA work, the Council will advertise the completion of the 2021/22 audit process on its website and update Members of the Audit Committee accordingly.

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- 2.14 Given that the 2020/21 audit has not yet been completely finalised and that the accounting arrangements for the Infrastructure Assets issue are still uncertain, then the finalisation of the 2021/22 audit may take some time.

3 Options/Alternatives

- 3.1 The Audit Committee Members can either choose to note the update on 2021/22 Statement of Accounts or not to do so. There are no other alternatives.

4 Preferred Option

- 4.1 The preferred option is that Audit Committee Members note the update of the 2021/22 Statement of Accounts.

5 Consultation

- 5.1 Consultation has taken place with the Council's External Auditors, Mazars LLP, in addition members of the public have had the opportunity to inspect the Council's Statement of Accounts and supporting documents during the 30-working day public inspection period which concluded on 14 July 2022. No questions or challenges were received during this inspection period.

- 5.2 The draft Statement of Accounts for the financial year 2021/22 was presented to the Audit Committee meeting of 21 June 2022 which was a key element of the consultation process. All questions and issues raised by Members were answered to the satisfaction of the Audit Committee. A further update on the progress of the Audit was presented at the meeting on the 21 July 2022.

- 5.3 The 2021/22 financial position, which includes a review of the Statement of Accounts is an agenda item at the meeting of the Performance Overview and Scrutiny Committee on 1 September 2022.

- 5.4 Formal presentation of the accounts to Members of the Audit Committee will take place at a future meeting once the outcome and implications of the Infrastructure Asset consultation is known. This will allow the opportunity for a further review and scrutiny prior to 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 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: Audit Committee meeting papers – 21 June 2021
<https://committees.oldham.gov.uk/ieListDocuments.aspx?CId=134&MId=8596&Ver=4>

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20 Appendices

20.1 There are no Appendices.