



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 Department for Levelling Up, Housing & Communities (DLUHC) consultation on Infrastructure Assets. The report also mentions the low priority recommendation highlighted in the Council's Draft Audit Completion Report (ACR).

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 2021/22 draft financial statements to the External Auditors, Mazars LLP, on 31 May 2022. For 2021/22, and as in previous years, Authorities had to 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 Members will recall that in line with good practice, the draft Statement of Accounts was issued to the Audit Committee and therefore provided Audit Committee Members with the opportunity to review the Council's year-end financial position before the accounts are presented for formal approval. The draft Statement of Accounts was presented, with a covering report outlining key issues, to the Audit Committee at its meeting of 21 June 2022. The Audit Committee had 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, 8 September 2022, 1 November 2022, 28 November 2022 and officers provided a verbal update at the Committee meeting on 16 January 2023.
- 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 of the 2021/22 accounts 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 2021/22 financial statements to the External Auditors, Mazars LLP, on 31 May 2022 which was within the statutory deadline and 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. 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. All queries were dealt with as promptly as possible.
- 2.3 There is currently one outstanding audit item that needed to be completed by the External Auditor. The outstanding item relates to the Greater Manchester Pension Fund (GMPF) audit and timing differences between the data the actuary has used in valuation reports and the pension fund valuation position GMPF has used for its accounts. This has resulted in an understatement of the Pensions Fund asset valuations.

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- 2.4 The External Auditor estimates that the potential impact on the Council's financial statements for 2021/22 will be either material or close to materiality for the Council. To accurately assess the impact for the Council, input is required from the actuary and GMPF. In order to reach a resolution, discussions are taking place between Mazars LLP, GMPF and the actuary.
- 2.5 Members will recall previous reports to this Committee which advised that, there has been an ongoing issue throughout the audit of the 2021/22 financial statements relating to the accounting practice for Infrastructure Assets. The resolution to the accounting issue has now been reached. In December 2022, the Statutory Override and the legislative amendment via Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulation 2022 came into force. This Statutory Override is a temporary solution that will cover the time period of 1 April 2021 to 31 March 2025 (but will also apply to Local Authorities in previous years where an audit opinion has not yet been given). In January 2023, CIPFA issued a bulletin – Accounting for Infrastructure Assets – Temporary Solution, which updated the Code of Practice and identified the suggested accounting treatment for Infrastructure Assets. Where Local Authorities have applied the Statutory Override, Regulation 30 allows Local Authorities in England to treat the value of any replacement component of infrastructure assets as nil, without the need for further evidence.
- 2.6 In accordance with the temporary relief offered by the Update to the Code on Infrastructure Assets following the Statutory Override and the amendment with the introduction of Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022, the Council's financial statements have been updated to incorporate the relevant changes. These are reflected in the Property, Plant and Equipment disclosure note (Note 18) and the Council's Accounting Policies (Note 34) in the Statement of Accounts 2021/22. The change in valuation of the Council's Infrastructure Assets based on the new accounting practices is approximately £0.400m. The change is below the Council's materiality threshold and after agreement with the External Auditor, no changes have been made to transactions for Infrastructure Assets in the Statement of Accounts for 2021/22.
- 2.7 Following the 2021/22 Statement of Accounts audit, the Council's external auditors, Mazars LLP, have made one recommendation in the draft Audit Completion Report (ACR) (a separate report on the agenda). The audit work identified a minor matter which has resulted in one low priority recommendation. The recommendation relates to work on the Council's provisions. The Council obtains a report from an external expert to manage its self-insurance position. This report is used to determine the amount of insurance provision recognised in the accounts. However, the report is not produced for accounting and reporting purposes. The recommendation is that Council's finance team should be further involved in the self-insurance valuation process and ensure the insurance provision elements meets the definition of a provision.
- 2.8 In line with best practice principles, the Council has implemented the recommendation for inclusion in the workplan for 2022/23 as part of the preparation of the Council's 2022/23 Statement of Accounts.
- 2.9 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 2022 and this is included in the draft Audit Completion report (a separate paper on the agenda). The Council can report that the auditor, Mazars LLP, did not identify any significant weaknesses in arrangements that require a recommendation to be made.
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- 2.10 The VFM opinion is assessed on 3 reporting criteria:
- 1) Financial Sustainability
 - 2) Governance
 - 3) Improving Economy, Efficiency and Effectiveness
- 2.11 On all three areas, the VFM opinion included within the Auditor's draft Audit Completion Report concluded that no risk of significant weaknesses in arrangements had been identified and that there were no actual weaknesses in arrangements identified.
- 2.12 It is important to note that the audit process cannot be fully finalised until the Whole of Government Accounts (WGA) work is completed.
- 2.13 The Committee has previously been advised that the WGA for 2020/21 was submitted in accordance with the revised timelines. The WGA for 2021/22 was submitted by the deadline of 28 February 2023.
- 2.14 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. Mazars LLP is still waiting for notification as to any action required.
- 2.15 Until the audit review of the WGA is 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.
- 2.16 Following the conclusion of the audit of the 2021/22 Statement of Accounts, the approval of the accounts 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.
- 2.17 However, given that the 2020/21 audit has not yet been completely finalised and there is an outstanding issue to be resolved in relation to the 2021/22 Statement of Accounts, the timeline for the finalisation of the 2021/22 audit is still unknown. The accounts will remain open as the Council embarks on the year-end process for 2022/23.

3 Options/Alternatives

- 3.1 The Audit Committee Members can either choose to note the update on the 2021/22 Statement of Accounts and associated matters 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 on the 2021/22 Statement of Accounts and associated matters.

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 meetings on 21 July 2022, 8 September 2022, 1 November 2022, 28 November 2022, and verbal update at the Committee meeting on 16 January 2023.

5.3 The 2021/22 draft Statement of Accounts was an agenda item and therefore presented to and discussed at the meeting of the Performance Overview and Scrutiny Committee on 1 September 2022.

5.4 It is expected that the formal presentation of the accounts to Members of the Audit Committee will take place at a meeting of the Committee early in the 2023/24 financial year depending on the outcome of the GMPF pension valuation issue.

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 direct risk implications as a result of this report. Until there is a resolution to the GMPF pension fund valuation, the accounts for 2021/22 cannot be closed. The same issue applies to other GM Councils. (Mark Stenson)

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 2022
<https://committees.oldham.gov.uk/ieListDocuments.aspx?CId=134&MId=8596&Ver=4>

 Audit Committee meeting papers – 21 July 2022
<https://committees.oldham.gov.uk/ieListDocuments.aspx?CId=134&MId=8597&Ver=4>

 Audit Committee meeting papers – 8 September 2022
<https://committees.oldham.gov.uk/ieListDocuments.aspx?CId=134&MId=8598&Ver=4>

 Audit Committee meeting papers – 1 November 2022
<http://decisionrecording.oldham.gov.uk/ieListDocuments.aspx?CId=134&MId=8599&Ver=4>

 Audit Committee meeting papers – 28 November 2022
[2021-22 Annual Statement of Accounts 7.pdf \(oldham.gov.uk\)](https://www.oldham.gov.uk/2021-22%20Annual%20Statement%20of%20Accounts%207.pdf)

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20 Appendices

20.1 There are no Appendices.