



Oldham
Council

Report to Audit Committee

2022/23 Annual Statement of Accounts

Portfolio Holder: Councillor Abdul Jabbar MBE – Cabinet Member for Finance and Corporate Resources

Officer Contact: Sarah Johnstone – Director of Finance

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26 March 2024

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 2022/23 Statement of Accounts.

Executive Summary

Members will recall that at the meeting of the Audit Committee on 15 January 2024, the external auditors Mazars LLP, provided an update on the audit of the Statement of Accounts 2022/23. Within the update, the only outstanding item was associated with the Council's pension adjustments following the arrival of the updated Pension Valuations and Asset Ceiling calculation.

The Council's Statement of Accounts have been updated with the new pension valuation for both the single entity accounts and the group accounts. Therefore, the Statement of Accounts 2022/23 are presented to Committee for approval.

It had initially been expected that the External Auditor would have completed the audit by the time of this Audit Committee meeting, but prior to the issue of the agenda papers the Council was notified that although the audit of the Accounts remains substantially complete, the external auditors are awaiting the results of the Council's Statement of Accounts back from their technical team following their final technical review. Therefore, approval is sort to delegate the formal approval of the Accounts to the Chair of the Audit Committee in conjunction with the Director of Finance and the External Auditor.

The External Auditor, in a report elsewhere on the agenda, advises that the audit is substantially complete.

Recommendations

It is recommended that the Audit Committee:

- a) Note the changes to the Statement of Accounts 2022/23.
- b) Delegation of the approval of the Council's 2022/23 Statement of Accounts to the Chair of the Audit Committee after consultation with the Director of Finance and on receipt of advice from the External Auditor.
- c) Note the Management Letter of Representation

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 31 May 2023. The public inspection period began on 1 June 2023 and concluded on 12 July 2023. The Council received no objections to the Statement of Accounts.
- 1.3 In line with good practice and in accordance with the final accounts processes and procedures adopted in Oldham, the presentation of the draft Statement of Accounts provides Audit Committee Members with the opportunity to review the Council's year-end financial position before they are required to formally approve the accounts later in the year. Members of the Audit Committee approved the draft Statement of Accounts for 2022/23 at its meeting on 27 June 2023.
- 1.4 At the Audit Committee meeting on 31 October 2023, the external auditors Mazars LLP presented and asked the Members to consider the draft Audit Completion Report (ACR). However, there were two outstanding elements of the audit yet to be completed. Firstly, the External Auditors required the Council to update the Statement of Accounts having received the revised Pension Valuations information from the Council's actuary and secondly, before Mazars can finalise the audit of the Council's pension fund liability they must have assurance with regard to the audit of the Greater Manchester Pension Fund (GMPF). This item was beyond the influence of the Council.

2 Current Position

- 2.1 Following the External Auditors presenting the draft Audit Completion Report (ACR) at the meeting on 31 October 2023 the Council has updated its single entity and group accounts following the revised pension valuations and asset ceiling calculation prepared by the Council's actuary Hymans Robertson. An updated letter from the Auditors, Mazars LLP following the draft ACR can be found at Appendix 2 and details the latest updates prior to the final audit completion letter.
- 2.2 The draft ACR made 4 low level recommendations:
- The testing of bank reconciliations identified a difference between the ledger and the bank statement of the Corporate Appointee bank account. The treatment of any assets and liabilities associated with the corporate appointee function will be considered as part of the 2023/24 final account process.
 - The Council's process to identify related party transactions relies in part on member declarations of interest. In some cases, the disclosures were based on outdated declarations. Following the recommendation, the process and procedures have been updated to ensure the disclosures are complete and accurate.
 - The third recommendation relates to the cleansing of the asset register. The testing for existence and rights and obligations identified that some assets will a net nil value in the accounts are required to be removed from the asset register. This is an ongoing process, and the Council has already begun a review of the asset register to remove the asset with a net nil asset valuation

from the asset register. This work has been continued throughout the 2023/24 financial year.

- The External Auditors testing noted that the iTrent system is double counting an element of shared cost AVCs. The Council is aware of the issues with the iTrent system and manual entries have been made monthly to correct the double counting in the financial statements. The Council has been working with the iTrent consultants to resolve the issue.

- 2.3 The Statement of Accounts has been updated during the audit process. Following the revised pension valuations and asset ceiling calculation received by the Council's actuary Hymans Robertson both the single entity and group accounts have been updated. This is the only area of significant change from the Statement of Accounts presented to the Audit Committee at the meeting on 27 June 2023 is the valuations of the Council pensions. The revised valuation reports saw a significant move upwards of the Council Pension asset moving from £4.908m to £70.217m. The movement in the Net Asset Pension is a result of a change in the valuation methodology when calculating the Asset Ceiling by the actuary. The full amended Statements are shown in Appendix 1.
- 2.4 It is important to note that the audit process cannot be fully finalised until the completion of the Whole of Government accounts. Final submission of the WGA will occur once the audit of the Council's SOA has fully concluded. The Council is currently below the threshold for audit of the WGA, however, may still be selected as part of random sample.
- 2.5 Mazars LLP is required to provide the Council with an Annual Audit Completion Report (ACR) and a Value for Money (VFM) opinion. The draft ACR was presented to the Audit Committee at the meeting on 31 October 2023 and the update letter is included elsewhere on the agenda.
- 2.6 The auditors VFM conclusion is positive, and states that for 2022/23 in all significant respects the Council has processes in place to ensure financial resilience.
- 2.7 In addition to the Statement of Accounts, the Committee is asked to note the Management Letter of Representation at Appendix 3. This is a formal letter prepared by the External Auditor but signed on behalf of the Council by the Director of Finance. The letter attests to the accuracy of the financial statements, which the Council has submitted to the auditors for their analysis. The Management Letter of Representation enables the Council to declare in writing that the Statement of Accounts and other presentations to the Auditors are sufficient and appropriate and without omission of material facts to the best of management knowledge. The Auditor uses this letter as part of the audit evidence.
- 2.8 The Auditor expects all outstanding matters to have concluded by the end of March 2024. 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 Chair of the Audit Committee after consultation with the Director of Finance and on receipt of advice from the External Auditor that all outstanding matters are resolved. It is important to note that it is expected that no substantial changes to the accounts is likely from those presented for approval at this meeting.
- 2.9 A further update report will be presented at the next Audit Committee meeting and Members will be notified when the Statement of Accounts for 2022/23 have been fully signed off.

2 **Options/Alternatives**

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

3 **Preferred Option**

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

4 **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 12 July 2023.

5.2 A high-level summary of the provisional outturn position and the Council's draft Statement of Accounts for the financial year 2022/23 was presented to the Audit Committee meeting of 27 June 2023. Further updates on the progress of the Audit were given at each Audit Committee meeting throughout the year.

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.

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 meetings of 20 July 2023, 5 September 2023, 31 October 2023 and 15 January 2024.

Officer Name: Lee Walsh

20 **Appendices**

20.1 Appendix 1 – Statement of Accounts 2022/23
Appendix 2 – Update Letter to Audit Completion Report (ACR)
Appendix 3 - Management Letter of Representation