

**2021/22 AND 2022/23 STATEMENT OF ACCOUNTS UPDATE**

Report of the Deputy Chief Executive (Section 151 Officer)

**1. INTRODUCTION AND PURPOSE OF REPORT**

- 1.1 In March 2023, a report was presented to Audit Committee providing an update as to the progress of the 2021/22 Statement of Accounts audit, which remains open due to a small number of significant issues impacting local authorities nationally.
- 1.2 Mazars LLP are the Council's external auditors and are responsible for the audit of the Council's annual Statement of Accounts. Mazars LLP have recently presented a resolution to the last remaining issue. This report provides an update on this and the next steps in order sign off the 2021/22 Statement of Accounts and a brief update on the progress of the 2022/23 Statement of Accounts.

**2. 2021/22 STATEMENT OF ACCOUNTS AUDIT UPDATE**

- 2.1 As reported to Audit Committee Members in March 2023, the audit of the 2021/22 Statement of Accounts remains open due to two national audit issues, one in connection with Highways Infrastructure Assets and the second in connection with the Pension Fund Valuation.
- 2.2 The Highways Infrastructure Asset issue has been resolved, albeit only in the short-term. The proposed changes have been made to the 2021/22 Statement of Accounts and these have been reviewed by the external audit team. It must be remembered that this is a temporary arrangement for the 2021/22 Statement of Accounts through to the 2024/25 Statement of Accounts, whilst options for a longer-term solution are sought.
- 2.3 The Pension Fund valuation is material to the Council's Statement of Accounts and delays in the audit of the Greater Manchester Pension Fund (GMPF) has subsequently impacted the audit of the Council's Statement of Accounts, meaning that the audit cannot be completed.
- 2.4 In their audit of the GMPF, Mazars LLP found an error in the Pension Fund's asset valuation, resulting in an understatement, which in itself is not material when considering the Council's share of assets. However, combined with a subsequent issue relating to timing differences between the data the actuary has used in their report and what the Pension Fund has used in their accounts, it has raised concerns that the impact could become material.
- 2.5 On 17 May 2023, CIPFA issued a technical bulletin on the impact of final triennial valuation statements for pension funds, in which it emphasised the importance of considering materiality in relation to amending the Statement of Accounts. On 1 June 2023, Mazars LLP contacted all GM local authorities to advise that following the CIPFA bulletin, an updated pension fund report would be required for 2021/22 to assess the materiality.

- 2.6 The Council subsequently requested an updated actuary pension fund report for 2021/22. The revised 2021/22 report showed a net pension fund liability of £328.425m, which was an increase of £18.666m, compared to the earlier pension fund report. The increase reflects the accounting valuation of the Council's pension liability at the valuation date. This valuation meets accounting requirements and doesn't take account of the expected future employee and employer pension contributions that will fund the liability. The accounting valuation does not reflect the ongoing funding position of the Council's pension fund which is used in GMPF's triennial valuation to set future year pension contribution rates.
- 2.7 As this increase in the pension liability per the revised report is above the Council's materiality limit of £17.25m, the 2021/22 Statement of Accounts has been amended and is currently with the external auditor to review. It should be noted that Mazars LLP still need to complete the 2021/22 audit of GMPF and the audit of the Council's Statement of Accounts including the pension accounting entries will not be complete until this is done.
- 2.8 The Audit Committee previously delegated, in the event of no material changes as a result of the outstanding audit work, the approval of the 2021/22 Statement of Accounts to the Deputy Chief Executive (Section 151 Officer) and the Chair of the Audit Committee. However, as there is a material change required to the Statement of Accounts, the approval must now be referred to Audit Committee and it is hoped that the Council will be in a position to do this at the next Audit Committee meeting on 20 September 2023.
- 2.9 In addition to the above, the audit of the 2020/21 Statement of Accounts cannot be concluded until the 2020/21 Whole of Government Accounts process is complete. Mazars LLP have now submitted their return to the National Audit Office confirming that the Council is below the audit threshold and are awaiting notification as to whether the Council has been selected for audit.
- 2.10 The 2021/22 WGA data collection process is in the process of being updated for revised pensions valuation and will be submitted shortly.

### **3. 2022/23 Statement of Accounts**

- 3.1 The ongoing audit issues have had a knock-on effect on the publication of the draft 2022/23 Statement of Accounts. Officers reported to Audit Committee in March 2023 of their proposal to push back the publication date from 31 May to 30 June 2023. The subsequent requirement to obtain a revised pensions valuation report for 2022/23 as a result of the 2021/22 change has further impacted the publication date and the draft 2022/23 Statement of Accounts was published on 7 July 2023 as a consequence.
- 3.2 Required notices of the delay to the publication date have been issued on the Council's website. Following publication the Council has given required notice of the commencement of its public inspection period on the Council's website.
- 3.3 The external audit of the 2022/23 Statement of Accounts started on 3 July and is expected to be completed by the 30 November statutory deadline.

#### **4. CONCLUSIONS AND RECOMMENDATIONS**

4.1 The Audit Committee is asked to note the contents of this report.

#### **BACKGROUND PAPERS**

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Jonathan Davies on telephone number Tel: 218 1025 or alternatively email [jonathan.davies@stockport.gov.uk](mailto:jonathan.davies@stockport.gov.uk)