



Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection

Report to:	Audit Committee
Date:	23 July 2018
Subject:	Statement of Accounts for Lincolnshire County Council for the year ended 31 March 2018

Summary:

This report presents the final Statement of Accounts for Lincolnshire County Council for the financial year 2017/18.

Recommendation(s):

The Executive Director for Finance and Public Protection recommends the Audit Committee:

1. Consider the verbal update of the External Auditor regarding their audit work of the draft Statement of Accounts;
2. Approve the Letter of Representation on behalf of the Council to enable the Audit Opinion to be issued following the verbal update of the External Auditor (Appendix A); and
3. Approve the Statement of Accounts for 2017/18 (Appendix B) taking into consideration that further changes may still happen that will be agreed between the External Auditor and Senior Officers to enable publication by the deadline of 31 July 2018.

Background

1.1 The Audit Committee were presented with the draft Statements of Accounts for 2017/18 for scrutiny and comment at its meeting on 25 June 2018, since this time, our external auditors, KPMG, have largely completed their work on the draft Statements and will provide a verbal update to this committee at its meeting on 23 July 2018.

Update of the External Auditor

1.2 A verbal update will be provided by the External Auditor on key issues identified during their audit of the Council's financial statements for the year ending

31 March 2018 and their assessment of our arrangements to secure value for money in the use of resources.

Letter of Representation

1.3 **Appendix A** sets out the draft Letter of Representation. This Letter of Representation must be approved by the Audit Committee, on behalf of the Council, signed by the Chair of the Audit Committee and the Executive Director (Finance and Public Protection) before the audit opinion can be given. The external auditor will provide an audit opinion on the Lincolnshire County Council Financial Statement separately from the Pension Fund Accounts.

Statement of Accounts

1.4 The Council is required to make arrangements to prepare Statement of Accounts which give a 'true and fair' view of the financial position for the County Council and for the Pension Fund as at 31 March 2018 together with a record of income and expenditure for the financial year 2017/18.

1.5 The accounts have been prepared under the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. The format of the statements and the detailed disclosure notes are specifically prescribed in the Code of Practice.

1.6 Councillors have little discretion to influence the detail and content of the statements. However, councillors do have a responsibility for corporate governance, including robust scrutiny of the Council's accounts and financial position. For this reason, the Audit Committee were presented with the draft Statements of Accounts for 2017/18 at its meeting on 25 June 2018. At this meeting, members scrutinised and made comment on the draft accounts.

1.7 The Council's external auditor, KPMG, has now largely completed their work on the Statement of Accounts and you as 'Those Charged with Governance' will receive a verbal update from KPMG as part of this agenda. The actual ISA260 report will be presented to this committee at its September meeting.

1.8 The Audit Committee is now asked to approve the Statement of Accounts as amended and detailed in paragraphs 1.9 – 1.12 below. Please note there is a potential that further changes may still be agreed with the external auditor and senior officers of the Council to enable publication of the final version of the accounts by the deadline of 31 July 2018. This amended version will be presented to this Committee at its' September meeting.

Changes made to the draft Statement of Accounts

Lincolnshire County Council – Statement of Accounts

1.9 The following adjustments have been made to the Statement of Accounts document from the draft presented to this Committee on the 25 June 2018:

- Minor presentational change to Comprehensive Income and Expenditure Statement (CI&ES). The removal of the surplus/deficit on discontinued operations reported as nil value for both the comparative and current years. This is considered to be irrelevant and does not add value to the statement.
- Presentational change to the adjustments to capital resources lines within Note 9 - Adjustments between accounting basis and funding basis under regulations to reflect the corrections in capital financing reported within Note 25b Unusable Reserves – Capital Adjustment Account.

The lines in Note 9 that have changed in particular are 1) the capital grants and contributions applied; 2) capital grants and contribution unapplied credited to CI&ES; and 3) application of grants to capital financing transferred to the Capital Adjustment Account that have been applied to capital financing. The movement between revenue resources and capital resources as a whole still remains the same.

- Change on the description of Holding Reserve within Note 10 – Transfer to/from earmarked reserves to be more in line with the definition of earmarked reserve in the accounting policies.
- Presentational change to Note 14d – Property, Plant and Equipment Valuations table valued as historic cost. The value for Energy from Waste assets are removed from this table as these are valued annually.
- Removal of the pension debts incorrectly included within the Aged Debt Analysis table within Note 18d iii – Financial Instruments and the Nature and Extent of Risks Arising from Financial Instruments – Credit Risk;
- Presentational change on the revaluation losses on Property, Plant and Equipment in Note 25b – Unusable Reserve – Capital Adjustment Account so that the revaluation loss reported in Note 15 – Heritage Assets is also reflected.
- Presentational change on Note 25b – Unusable Reserve – Capital Adjustment Account to reflect the change in Note 9 - Adjustments between accounting basis and funding basis under regulations mentioned above.

The lines in Note 25b that change in relation to this are 1) capital grants and contributions credited to the CI&ES that have been applied to capital financing; and 2) application of grants to capital financing from the capital grant unapplied account. The difference between these 2 lines remains the same.

- Minor presentational changes, including the request from this Committee's 25 June 2018 meeting to provide a simpler description of related parties; and additional information disclosed in relation to Transport Connect Ltd within Note 39 – Related Parties.

- Additional information disclosure to Note 44e – Defined Benefit Pension Schemes – Sensitivity Analysis in relation to the increase in members' life expectancy for the both the Local Government Pension Scheme and Fire Fighters' Pension Schemes.
- Other minor presentational changes to Narrative Statement; Note 17b Intangible Assets- Depreciation and Asset Lives; Note 19 – Debtors; Note 32 – Members Allowances; Note 34 – Exit Packages; Note 35 – Termination Benefits; and Note 36 – Audit Fees.

1.10 There are no changes to the core statements apart from the minor change mentioned above relating to the CI&ES, this however does not affect the figures reported.

Lincolnshire Pension Fund

1.11 No change has been made to Lincolnshire Pension Fund.

Lincolnshire Fire & Rescue Pensions Fund

1.12 The comparative figures, 2016-17, for the contributions from the employers and from members were incorrectly reported last year and this has been corrected in the final statement. The contribution from the employers was reported as a contribution from members.

Conclusion

2.1 The Audit Committee considers the verbal update given by the External Auditor;

2.2 Following consideration of the verbal update, the Audit Committee is asked to approve the draft Letter of Representation in order for the external auditor can give their opinion; and

2.3 The Audit Committed is asked to approve the Statement of Accounts for Lincolnshire County Council for the financial year ended 31 March 2018 and acknowledge that this may still change following discussion with the external auditor and senior officers to enable publication by the deadline of 31 July 2018.

Consultation

a) Have Risks and Impact Analysis been carried out?

N/A

b) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Letter of Representation
Appendix B	Lincolnshire County Council Statement of Accounts 2017/18

Background Papers

No background papers within section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Dave Simpson, who can be contacted on 01522 553008 or Dave.Simpson@lincolnshire.gov.uk.

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