

Regulatory and Other Committee

Open Report on behalf of Andrew Crookham, Executive Director - Resources

| | |
|------------|--|
| Report to: | Audit Committee |
| Date: | 13 July 2020 |
| Subject: | Draft Statement of Accounts 2019/20 |

Summary:

The draft Statement of Accounts for Lincolnshire County Council for the financial year 2019/20 is attached to this report (Appendix A).

Members of the Audit Committee are asked to scrutinise and comment on the draft Statement of Accounts. The final Statement of Accounts for 2019/20 will be presented to the Audit Committee on 28 September 2020 for approval.

Recommendation(s):

It is recommended that Members of the Audit Committee scrutinise and comment on the draft Statement of Accounts 2019/20.

Background

1.1 The County Council prepares its annual Statement of Accounts in line with the proper accounting practices required by section 21(2) of the Local Government Act 2003 and set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

1.2 In addition to this guidance the County Council's accounts are prepared using the accounting policies set out in note 45 on pages 123 to 155, and in note 3 on pages 157 to 158 of the accounts. The accounting policies are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are reflected in the Statement of Accounts. These policies are reviewed annually to ensure they remain current and were reported to this committee at its meeting on 15 June 2020.

1.3 The Statement of Accounts 2019/20 provides a summary of the Council's financial transactions in the year, and a "snapshot" of the Council's financial position as at 31 March 2020. It is therefore a key document for the Council and Councillors, with their responsibility for corporate governance, are asked to scrutinise these accounts and comment on them.

1.4 Councillors may wish to initially focus on the Narrative Report within the Statement of Accounts 2019/20 on pages 7 to 25. The purpose of this Narrative Report is to provide an overview of the Council's financial health and performance, and it highlights the most significant areas of financial activity in the year. It also provides an outlook on the future challenges which the Council may face and the plans for mitigating future risks, and this year it includes a summary of the impact of the coronavirus pandemic on the Council.

1.5 A separate report on the Council's financial performance compared to the approved budget was considered by the Overview and Scrutiny Management Board on 2 July 2020 and presented to the Executive on 7 July 2020. Any recommendations arising from this in terms of the treatment and use of over and under spends will be considered by full Council on 18 September 2020.

1.6 The audit of the Statement of Accounts 2019/20 by Mazars LLP is underway, and the final audited accounts will be presented to the Audit Committee on 28 September 2020. At the same meeting, the auditors will present their report on the audit.

1.7 The coronavirus pandemic situation has resulted in increased uncertainty about some of the asset valuations in the Pension Fund accounts, which are within the Statement of Accounts starting on page 160. The fair value of unquoted assets (including alternatives and private equity holdings) is unavoidably subjective in normal circumstances and Covid-19 disruptions may increase this.

1.8 The Fund accounts are currently prepared using valuation information available at 31 March 2020 provided by investment managers and validated by the Fund's Custodian. These valuations are mainly based on audited accounts from earlier periods (e.g. 31 December 2019) rolled forward for cashflows, as is allowable by the Code. Normally these valuations would see small incremental movements in value, however, due to the coronavirus pandemic the 31 March actual valuations may be materially different to the rolled forward valuations currently reported in the accounts.

1.9 The Fund expects to start receiving the 31 March valuations in July 2020. When these valuations are received Fund Officers will consider their materiality, both individually and collectively, and revise the accounts to reflect these valuations if necessary. If these actual valuations are materially different from the original estimated valuations provided then this may indicate that a revised actuarial valuation of the pension fund net liability within the main accounts is required, as this may also have changed materially. If this is the case then revisions will be made to the main accounts and the amendments will be presented for auditing.

Conclusion

2.1 This Committee's scrutiny and comments of the draft accounts will be reflected in the final Statement of Accounts 2019/20 report which will be presented to this committee on 28 September 2020.

Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

N/A

Appendices

| | |
|---|-------------------------------------|
| These are listed below and attached at the back of the report | |
| Appendix A | Draft Statement of Accounts 2019/20 |

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 Sue Maycock, who can be contacted by email at sue.maycock@lincolnshire.gov.uk .

This page is intentionally left blank