



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

Report to:	Pensions Committee
Date:	17 March 2022
Subject:	Annual Report and Accounts 2021-22: Review of Accounting Arrangements and Accounting Policies and the External Audit - Audit Strategy Memorandum

Summary:

This report summarises:

- Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2021/22 Statement of Accounts for Lincolnshire Pension Fund;
- Amendments to the Accounts and Audit Regulations 2015 and impact this will have on the 2021/22 Statement of Accounts;
- The review of the Council's Accounting Policies for the Pension Fund Statements; and
- The External Auditors Audit Strategy Memorandum Report.

Recommendation(s):

That the Committee:

1. Note the changes required to the Statement of Accounts from the Code of Practice 2021/22;
2. Note the changes to the Accounts and Audit Regulations 2015;
3. Approve the Statement of Accounting Policies (Appendix A) for use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2022; and
4. Note the External Auditors Audit Strategy Memorandum (Appendix B).

Background

- 1.1 The Pension Fund is required to prepare its Statement of Accounts in accordance with the Code of Practice in Local Authority Accounting in United Kingdom 2021/22 (the Code). This ensures the accounts are prepared using "proper accounting practice". We are also required to comply with the Accounts and Audit Regulations 2015 in preparing, submitting for audit and publishing the accounts.

Code of Practice on Local Authority Accounting for 2021/22

- 1.2 There are no changes to the Code of Practice for 2021/22 which will have an impact on the Pension Fund Accounts. The Chartered Institute of Public Finance and Accountancy (CIPFA) is currently consulting on a number of short-term changes to the Code of Practice to assist local authorities in preparing financial statements for 2021/22. These changes primarily relate to the valuation of property, plant and equipment assets and the deferral of the new standard on accounting for leases. The pension fund accounts are not impacted by these proposed changes.
- 1.3 There may be new or amended accounting standards which impact on the 2022/23 accounts. CIPFA is due to publish a bulletin which will interpret any changes in accounting standards for the public sector. Once this is available, impacts will be assessed, and disclosure made in the 2021/22 Accounts at Note 2 Accounting standards that have been issued but have not yet been adopted.

Accounts and Audit Regulations 2015

- 1.4 The Accounts and Audit Regulations 2015 set out the requirements for local authorities, including Pension Funds, to prepare an annual statement of accounts, to publish such accounts and to have those accounts audited. The regulations also allow for the statement of accounts to be inspected by members of the public within certain time parameters.
- 1.5 The deadline for publishing draft and audited local authority accounts was initially amended for a two-year period, covering the 2020/21 and 2021/22 accounts. In December 2021, to address ongoing concerns, Government announced a number of measures to support the timely completion of local government audits and the ongoing stability of the local audit market. The proposals include extending the published/audited deadline to 30 November 2022 for the 2021/22 accounts, then reverting to 30 September for five years until 2027/28.
- 1.6 Therefore the deadlines for 2021/22 are:
- Draft accounts to be published on, or before 1 August; and
 - Audited accounts to be published by 30 November.

Statement of Accounting Policies

- 1.7 An important section of the published Accounts is the statement of accounting policies. This summarises the rules and codes of practice used to prepare the accounts, together with any estimation techniques adopted. The accounting policies for Pension Fund have been reviewed and are attached at Appendix A for consideration and approval by this Committee.
- 1.8 There have not been any changes to the accounting policies proposed for use in preparing the 2021/22 accounts.

External Audit Strategy Memorandum

- 1.9 The external auditor, Mazars LLP, have prepared their audit strategy for the 2021/22 pension fund audit. The purpose of the strategy is to summarise for the Committee the audit approach, significant audit risks and areas of key judgements. The strategy covers:
- Engagement and responsibilities;
 - The audit engagement team;
 - Audit scope, approach and timeline;
 - Significant risks and other key judgement areas;
 - Fees for audit and other services;
 - Commitment to independence; and
 - Materiality and misstatements.
- 1.10 The external auditor has identified two significant risks for the pension fund audit, these are: management override of controls and valuation of investments within level 3 of the fair value hierarchy (that is, unquoted assets, such as, private equity and infrastructure). Their report explains how these risks will be targeted in their work on the financial statements.

Conclusion

- 2.1 The accounting requirements, disclosures and timescales, as required by the Code of Practice and the Audit and Accounts Regulations, will be incorporated into the Statement of Accounts for 2021/22.
- 2.2 The Statement of Accounts will be prepared using the Accounting Policies approved at this meeting.
- 2.3 The Committee should note the external auditors Audit Strategy Memorandum and the work that will be completed in giving an opinion on the pension fund accounts for 2021/22.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Statement of Accounting Policies for LGPS Pension Fund financial statements 2021/22
Appendix B	Mazars LLP Audit Strategy Memorandum for Lincolnshire Pension Fund

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22	Executive Director of Resources

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