



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

Report to:	<b>Audit Committee</b>
Date:	<b>26 September 2022</b>
Subject:	<b>Statement of Accounts 2021/22 – Update on Audit Progress</b>

**Summary:**

The Council's draft Statement of Accounts 2021/22 was presented to the Audit Committee on 11 July 2022 and the external audit by Mazars started in July for both the Lincolnshire County Council and Lincolnshire Pension Fund accounts. The Audit work has made good progress but at this point in time there are some outstanding areas, which are summarised in this report.

**Actions Required:**

Members of the Audit Committee are asked to note the current status of the external audit of the accounts.

**1. Background**

1.1 The Audit Committee scrutinised the Council's draft Statement of Accounts 2021/22 at its meeting held on 11 July 2022. The external audit of the accounts started in July. Since then, the external audit has been progressing.

1.2 Lincolnshire Pension Fund Accounts

Over the summer, unquoted holdings 31 March valuations have been received, and after review by Pension Fund Officers, have been incorporated into the Pension Fund Accounts. The total impact of these updated valuations is a £8.771m increase in asset values (across alternatives, infrastructure, private equity and property venture). At the date of preparing this paper a number of 31 March valuations were still outstanding. When these are received, they will be reviewed and incorporated into the accounts as necessary.

- 1.3 The above amendments have been made to the Statement of Accounts for 2021/22, plus a small number of disclosure amendments identified by the External Auditor during their presentational review of the accounts document.
- 1.4 A copy of the External Auditors Progress Report is attached to this report at Appendix A. This details the findings from their work on the Pension Fund financial statements completed to date and summarises the work outstanding on the audit.
- 1.5 In summary, the key areas of work to be completed are:
- Investments, as some third-party investment information is still outstanding from Fund Managers;
  - The consistency opinion, including checks from the final pension fund accounts to the Annual Report;
  - Revised financial statements, to check updated valuation information has been incorporated in the final version of the accounts; and
  - Audit quality control and completion procedures, including specific procedures carried out in relation to the significant audit risks identified and the final review of the audit work by the Mazars Engagement Lead.
- 1.6 The auditor's findings to date highlight that a number of updated valuation statements have been received by the Fund since the date the accounts were published in draft at the end of June. No material internal control recommendations have been identified to date.
- 1.7 Lincolnshire County Council Accounts
- 1.8 An External Auditors Progress Report is not available at this time for the Lincolnshire County Council accounts, but a verbal progress report has been received.
- 1.9 The majority of work has been completed and a few outstanding queries are being worked through, and are expected to be finished by the end of September.
- 1.10 There is the potential that the 31 March valuations for unquoted Pension Fund holdings (referred to in paragraph 1.2 above) may result in the need for a new actuarial valuation of the Lincolnshire County Council share of the Pension Fund assets and liabilities if the changes are material in total. If this is the case, we will commission a new valuation, and incorporate amendments into the accounts if the impact is material for Lincolnshire County Council.
- 1.11 Members of this Committee were advised in July that the Chartered Institute of Public Finance and Accountancy (CIPFA) had issued a consultation on the accounting treatment and disclosure requirements for local authority infrastructure assets (comprising the road network and associate highways structures). On 27 July 2022, CIPFA issued a statement on this matter saying that an update to the Code of Practice on Local Authority Accounting was anticipated to

be available from mid-September 2022. When this is published, it is expected to amend some of the requirements for disclosure notes in the accounts. CIPFA has also stated that it has not been able to agree an approach to infrastructure asset accounting that addresses the concerns of stakeholders while also supporting high quality financial reporting. A longer-term solution will therefore be developed. This means that until the Code of Practice update is published and we see the proposals, it is difficult to say what the impact will be on the accounts and on the audit of the accounts.

- 1.12 The IT Audit questionnaire is still in the process of being completed by Officers and this means that the related audit work is not yet complete.
- 1.13 No significant issues have been identified by Mazars to date. A small number of amendments have been made, which were identified by the External Auditor during their presentational review of the accounts document.
- 1.14 The statutory deadline this year for publishing audited accounts is 30 November 2022. The presentation of the final Statement of Accounts document, including the audit opinions, and Mazars completion reports are planned for the 14 November 2022 Audit Committee. If the infrastructure assets issue has not been resolved and the publication deadline cannot be met, then this Committee will receive a report on the matter at that meeting.

## **2. Conclusion**

- 2.1 The external audit of the accounts by Mazars is progressing well with a few outstanding areas of work as outlined in this report. The infrastructure accounting issue described in paragraph 1.11 may impact on our ability to complete the accounts and audit by the required deadline and if this is the case, this Committee will be kept informed.

## **3. Consultation**

### **a) Risks and Impact Analysis**

N/A

## **4. Appendices**

These are listed below and attached at the back of the report	
Appendix A	Mazars External Audit Progress report (August 2022)

## **5. 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 Michelle Grady, who can be contacted on 01522 553235 or [michelle.grady@lincolnshire.gov.uk](mailto:michelle.grady@lincolnshire.gov.uk).