



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

Report to:	<b>Audit Committee</b>
Date:	<b>14 November 2022</b>
Subject:	<b>Statement of Accounts 2021/22 – Lincolnshire County Council and Lincolnshire Pension Fund</b>

**Summary:**

The external audit of the Council's Statement of Accounts 2021/22 is almost complete at the time of writing this report. The Audit Committee received the draft Statement of Accounts at its meeting in July, which was at the time the audit was starting. This report summarises the changes made to the accounts during the audit process and includes the revised Statement of Accounts as an appendix, as well as a full list of changes made as an appendix.

The Audit Committee was provided with an update on the issues regarding accounting for infrastructure assets at its meeting in September. This report includes a further update on this matter.

This report also seeks the approval of the Audit Committee to delegate its usual responsibilities for the Statement of Accounts to the Executive Director of Resources, in consultation with the Chairman of the Audit Committee, so that these responsibilities can be carried out after this meeting

Also on the agenda for this Committee meeting is a report which includes the external auditor's draft Audit Completion Reports.

**Recommendation:**

Members of the Audit Committee are asked to:

- Note the changes made to the updated Statement of Accounts 2021/22 and provide comments or feedback.
- Delegate to the Executive Director of Resources, in consultation with the Chairman of the Audit Committee, the responsibility for:
  1. Considering the Audit Completion Report of the External Auditor for Lincolnshire County Council 2021/22 (a draft Audit Completion Report is elsewhere on this meeting's agenda).
  2. Approving and signing the Letters of Representation on behalf of the

Council to enable the Audit Opinion to be issued following the finalisation of the External Auditor's report.

3. Approving the audited Statement of Accounts for 2021/22.

## **Background**

- 1.1 The Audit Committee scrutinised the Council's draft statement of Accounts 2021/22 at its meeting held on 11 July 2022. Since that time the external audit process has been progressing and a number of changes have been made to the Accounts.
- 1.2 An updated Statement of Accounts 2021/22 has been produced and is included as Appendix A to this report.

### Amendments to the Lincolnshire Pension Fund Accounts 2021/22

- 1.3 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 £21.691m increase in asset values (across alternatives, infrastructure, private equity and property venture).
- 1.4 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.

### Amendments to the Lincolnshire County Council Accounts 2021/22

- 1.5 An updated actuarial report was requested in respect of the Lincolnshire County Council's pension fund, to take account of the updated unquoted asset valuations referred to in the previous paragraphs. The impact of the updated valuations was an increase in the value of pension fund assets relating to Lincolnshire County Council's share of the pension fund of £10.872m and the accounts have been updated to reflect this later actuarial report.
- 1.6 This valuation change has impacted on a number of areas in the accounts, including the core statements: Balance Sheet; Comprehensive Income and Expenditure Statement; Movement in Reserves Statement. In addition, the Narrative Report has been amended for the change, as well as a number of disclosure notes. The overall impact is a reduction in the net pension liability on the Council's Balance Sheet, from £890.763m to £879.891m. This is still a large liability, although it does not represent a short-term requirement to call upon reserves as it is a long-term commitment.
- 1.7 A number of other amendments have been made to the accounts, all relating to disclosures only. The amendments have either corrected presentational errors or have been made to improve clarity and understanding. Further details are provided in Appendix B.

### Accounting for Infrastructure Assets

- 1.8 In July 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a consultation on the accounting treatment and disclosure requirements for local authority infrastructure assets (comprising the road network and associate highways structures). This followed an issue raised by one audit firm which suggested that one aspect of the accounting treatment for infrastructure assets (derecognition of assets and the resultant valuation in accounts) did not comply with the CIPFA Accounting Code of Practice.
- 1.9 We responded to this consultation at the time. On 27 October 2022, CIPFA published a “call for evidence” on this same issue. In that publication, CIPFA acknowledged that the issue is causing a delay to the completion of audits for those authorities with infrastructure assets and has said that a solution has not been found which will satisfy all stakeholders. The purpose of the call for evidence is to seek views from stakeholders about a proposed statutory override which will allow authorities to treat the value of replaced asset components as nil. Use of the statutory override will be optional, and this is a proposed short-term solution lasting until the end of 2024/25, allowing time for a more in-depth review to be carried out and a longer term solution to be found.
- 1.10 The deadline for responses is 7 November 2022. Once CIPFA has considered the evidence collected then it is hoped that a statutory override will be published, allowing accounts to be amended if required, and audits to be completed.

## **Conclusion**

- 2.1 Most of the changes made to the accounts since the first draft was produced have been relatively minor, although the updated unquoted asset valuations have required a material change to both the Pension Fund and Lincolnshire County Council accounts.
- 2.2 The Pension Fund audit is complete so no further changes will be made to this section of the accounts. The audit of the main accounts is not quite complete and cannot be finalised until the accounting for infrastructure assets issue has been resolved. It is therefore possible that further changes will be required. For this reason, the report recommends that the Audit Committee delegates responsibility for carrying out its remaining responsibilities in respect of the accounts and audit to the Executive Director of Resources, in consultation with the Chairman of the Audit Committee.

## **Consultation**

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

N/A

## **Appendices**

These are listed below and attached at the back of the report
---

Appendix A	Updated Statement of Accounts 2021/22
Appendix B	Changes to the Statement of Accounts 2021/22

### **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).