



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

Report to:	Pensions Committee
Date:	16 March 2023
Subject:	Annual Report and Accounts 2022-23: Review of Accounting Arrangements and Accounting Policies

Summary:

This report summarises:

- Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2022/23 Statement of Accounts for Lincolnshire Pension Fund;
- Amendments to the Accounts and Audit Regulations 2015 and impact this will have on the 2022/23 Statement of Accounts;
- The review of the Council's Accounting Policies for the Pension Fund Statements; and
- An update from the External Auditor on the 2021/22 and 2022/23 audit.

Recommendation(s):

That the Committee:

1. Note the changes required to the Statement of Accounts from the Code of Practice 2022/23;
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 2023; and
4. Note the update from the External Auditor and invite them to the Committee meeting in July to present their Audit Strategy Memorandum.

Background

- 1.1 The Pension Fund is required to prepare its Statement of Accounts in accordance with the Local Government Act 2003 and the Code of Practice in Local Authority Accounting in United Kingdom 2022/23 (the Code). These ensure 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, and the Local Government Pension Scheme (Administration) Regulations 2008 for publishing an Annual Report.

Code of Practice on Local Authority Accounting for 2022/23

- 1.2 There are no changes to the Code of Practice for 2022/23 which will have an impact on the Pension Fund Accounts, so the appearance of the accounts will remain largely unchanged from last year.
- 1.3 There may be new or amended accounting standards which impact on the 2023/24 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 2022/23 Accounts at Note 2 Accounting standards that have been issued but have not yet been adopted.

Publishing the Pension Fund Annual Report and the Pension Fund Accounts

The Local Government Pension Scheme (Administration) Regulations 2008

- 1.4 Regulation 34 of the LGPS (Administration) Regulations 2008 introduced a statutory requirement for LGPS pension funds to produce a separate Annual Report and Accounts which must be published on or before the 1 December each year. The Annual Report must include the Pension Fund accounts and an opinion issued by the external auditor confirming the pension fund accounts and the annual report are consistent with the audited financial statements of the County Council.

The Accounts and Audit Regulations 2015

- 1.5 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.
- 1.6 On 16 February the Department for Levelling Up, Housing and Communities (DLUHC) issued a short consultation on the provisions of the Accounts and Audit Regulations 2015 (as amended) in respect of the publication date for the 2022/23 unaudited financial statements. For the 2020/21 and 2021/22 accounts deadlines

were extended to reflect the extraordinary pressures affecting the local audit market, including any lasting impact relating to the COVID-19 pandemic, whilst also making sure that local transparency was not compromised during this challenging period.

- 1.7 For 2022/23, the statutory publication dates revert to the original requirement in the 2015 regulations, i.e. to make the unaudited accounts available for public inspection for a period that includes the first 10 working days of June (i.e. publication of the accounts by 31 May at the latest).
- 1.8 The Pension Fund notes both publication dates and is working towards publishing draft accounts by 31 May with the County Council, and publishing the final Annual Report and Accounts by 1 December 2023.

Statement of Accounting Policies

- 1.9 Accounting policies are defined in the Code as “the specific principles bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements”. They are an important part of the accounts for ensuing the accounts are prepared using “proper accounting practice’. The accounting policies for Pension Fund have been reviewed for the 2022/23 accounts and are attached at appendix A.
- 1.10 There have not been any changes to the accounting policies proposed for use in preparing the 2022/23 accounts.
- 1.11 Although the Audit Committee has responsibility for the approval of Lincolnshire County Council’s Statement of Accounts, which contains the Pension Fund Accounts, the Pension Fund Committee are asked to consider and approve the specific accounting policies used in the preparation of the Pension Fund accounts.

External Audit Update

- 1.12 The external auditor, Mazars LLP, have prepared an update on the 2021/22 and 2022/23 audits (appendix B).
 - 2021/22 audit: as was reported in the Audit Completion Report, the auditor anticipates issuing an unqualified opinion, without modification, on the 2021/22 financial statements. This will be issued alongside the opinion for the County Council’s accounts.
 - 2022/23 audit: planning work has commenced on the 2022/23 audit, and it is anticipated that audit materiality and significant risks will remain the same as 2021/22. That is, materiality will remain at 1% of net assets and the two significant risks for the pension fund audit will be: 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).

The external auditor plans to present their Audit Strategy Memorandum to the Audit Committee at its meeting on 19 June. We will bring this document to the meeting of the Pensions Committee in July.

Page 5 of the report sets out the expected timescales for completing their audit work. It should be noted that they do not anticipate completing their audit work before the statutory audit sign off deadline at the end of September. Final field work is not due to be completed until October and the audit completion steps in November/December. It is therefore proposed that the Pensions Committee invite the External Auditor to the July meeting, to present the Audit Strategy Memorandum and explain the work to be completed and its timing.

Conclusion

- 2.1 The accounting requirements, disclosures and timescales, as required by the Code of Practice, the Audit and Accounts Regulations, and the Local Government Pension Scheme (Administration) Regulations, will be incorporated into the preparation of the Statement of Accounts for 2022/23.
- 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 update including the work and timescales set in giving an opinion on the pension fund accounts for 2022/23.

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 2022/23
Appendix B	Mazars LLP Audit Progress Report (February 2023)

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 2022/23	Executive Director of Resources

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