



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

Report to:	Audit Committee
Date:	19 June 2023
Subject:	Draft Statement of Accounts 2022/23

Summary:

The draft Statement of Accounts for Lincolnshire County Council for the financial year 2022/23 is attached to this report at Appendix A.

The final Statement of Accounts for 2022/23 will be presented to the Audit Committee for approval following the external audit process. This is unlikely to be before the Audit Committee on 13 November 2023.

Actions Required:

Members of the Audit Committee are asked to scrutinise and comment on the draft Statement of Accounts 2022/23.

1. Background

Deadline

- 1.1 The County Council aims to prepare its annual Statement of Accounts in line with the timescales set out in the Accounts and Audit Regulations 2015. These regulations were updated in 2022 to reinstate the deadline for preparing and publishing draft accounts to 31 May for the 2022/23 accounts onwards. The draft Statement of Accounts 2022/23 was not ready to be published on 31 May 2023 partly due to on-going issues relating to the 2021/22 accounts (further detail on this is in paragraphs 1.2 to 1.4), and also because of the changeover to the new ERP system in April which necessitated some members of the Financial Services team working on resolving issues arising in the early days of the new system's operation. These factors impacted on the team's ability to close the accounts and prepare the statements within two months of 31 March 2023 and a notice was published on the Council's website on 31 May 2023 explaining the delay.

Statement of Accounts 2021/22

- 1.2 The 2021/22 Statement of Accounts is still subject to the completion of the external audit. These accounts were amended during last year following the publication of a bulletin by the Chartered Institute of Public Finance and Accountancy in January 2023 which covered a temporary solution for how to account for infrastructure assets. The external auditor has carried out audit testing on these amended accounts.
- 1.3 At around that same time, we became aware of another national issue emerging about the valuations of Local Government Pension Scheme (LGPS) liabilities. Councils had obtained actuarial valuations of the LGPS for the 2021/22 accounts which were based on a "roll forward" of pension scheme data. The results of the triennial LGPS valuation as at 31 March 2022 became available during the year following, and were potentially an "event after the reporting period" for those councils which had not yet had their 2021/22 audits completed. This would necessitate obtaining a new actuarial valuation as at 31 March 22 which took into account the triennial valuation results. We obtained a new actuarial valuation in April 2023, but on the advice of Mazars at that time, held back from acting on this valuation whilst we awaited further guidance. CIPFA published this guidance on 17 May 2023, and we have refrained from considering this in detail whilst we focussed on completing the 2022/23 accounts. We will discuss any next steps that may be required with Mazars. We also commissioned another actuarial valuation of the LGPS as at 31 March 2023 which took into account the results of the triennial valuation, and this has been used to produce the 2022/23 accounts.

Statement of Accounts 2022/23

- 1.4 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 2022/23.
- 1.5 In addition to this guidance the County Council's accounts are prepared using the accounting policies set out in note 43 on pages 130 to 157, and in note 3 on pages 159 to 160 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 27 March 2023.
- 1.7 The Statement of Accounts 2022/23 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 2023. 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.

- 1.8 Councillors may wish to initially focus on the Narrative Report within the Statement of Accounts 2022/23 on pages 7 to 26. 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 for both the Council and the Lincolnshire Pension Fund. It also provides an outlook on the future challenges which the Council may face and the plans for mitigating future risks.
- 1.9 The Lincolnshire Pension Fund accounts are included within the Statement of Accounts 2022/23. The pension fund holds unquoted assets, such as private equity, infrastructure and unquoted alternatives, valuations for these assets often take a number of months to be prepared and received by the Fund. Initial 31 March valuations are based on audited accounts from earlier periods (such as 31 December) rolled forward for cashflow movements. This approach is allowed by the Code. All 31 March valuations received in advance of the conclusion of the audit will be reviewed and incorporated into the accounts if considered material, either individually or collectively. Therefore, the accounts included in the final version of the audited Statement of Accounts may differ to those presented today and if they do, any changes will be highlighted to the Audit Committee.
- 1.10 A separate report on the Council's financial performance compared to the approved budget will be considered by the Overview and Scrutiny Management Board on 29 June 2023 and presented to the Executive on 4 July 2023. Any recommendations arising from this in terms of the treatment and use of over and under spends will be considered by full Council on 15 September 2023.
- 1.11 The audit of the Statement of Accounts 2022/23 by Mazars LLP starts in July 2023, and the final audited accounts are expected to be presented to the Audit Committee on 13 November 2023. This is after the statutory deadline for the publication of audited accounts which is 30 September 2023, and is a reflection of the delays caused by the national issues affecting many councils' 2021/22 accounts. At the same meeting, the auditors will present their report on the outcomes of the audit.

2. Conclusion

- 2.1 This Committee's scrutiny and comments of the draft accounts will be reflected in the final Statement of Accounts 2022/23 report which will be presented to this committee on 13 November 2023.

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	Draft Statement of Accounts 2022/23

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.