



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

Report to:	Audit Committee
Date:	25 September 2023
Subject:	Update on Statement of Accounts and External Audit of Accounts for Lincolnshire County Council and Lincolnshire Pension Fund

Summary:

This report provides an update to Members on our statutory Accounts for 2020/21, 2021/22 and 2022/23, together with progress on external audit work for these three years. In addition, our external auditors, Mazars LLP, will present an updated Audit Completion Report and Value for Money Commentary relating to the Lincolnshire County Council 2021/22 Accounts. These were last presented to Members at the Audit Committee on 14 November 2022.

Recommendation(s):

The Executive Director of Resources recommends that the Audit Committee considers the information in this report and in the Appendix and identifies any further information or actions that may be required.

1. Background

- 1.1 **National Context** – The persistent and significant backlog of audit opinions has been widely reported and whilst the Department for Levelling Up, Housing and Communities (DLUCH) have implemented measures to improve timeliness they recognise that fuller action is required. DLUCH recognises that local audit is a vital source of assurance, so have shared a range of broad proposals and actions they are working on with key partners over the summer to address the backlog and ensure the sustainability of local audit going forward.
- 1.2 **Lincolnshire County Council, and Pension Fund Accounts** - In the early part of this current financial year, our statutory Accounts for 2020/21, 2021/22 and 2022/23 have all been open and not signed off by our external auditors. The reasons for this are explained in the paragraphs below, together with an update on progress towards completion and final sign off for each year.

2020/21 Statement of Accounts and External Audit

1.3 The 2020/21 audit was completed some time ago and an unqualified opinion was issued. The outstanding matter was that Mazars were awaiting a decision from the National Audit Office about which authorities would be selected to undergo additional audit procedures relating to Whole of Government Accounts. This outstanding issue has now been resolved, an Audit Certificate has been issued, and the audit is now closed with no matters needing to be brought to the attention of Members.

2021/22 Statement of Accounts and External Audit

1.4 Completion of the 2021/22 Accounts was affected by two national issues: a change to way that infrastructure assets need to be accounted for and the impact of the March 2022 triennial valuation on the 31 March 2022 pension fund valuations. We have made changes to our 2021/22 Accounts in respect of these two issues and the audit of those changes by Mazars LLP is largely complete with final quality review checks currently in progress at the time of writing this report. It is expected that Mazars will issue their audit opinions for both the Lincolnshire County Council and Lincolnshire Pension Fund accounts by the end of September 2023. The Whole of Government Accounts audit and final certificate will still be outstanding at this point and an update on this aspect will be provided to the Committee in due course.

1.5 The 2021/22 Statement of Accounts have been updated to reflect these two significant changes and are attached at Appendix B. Once we have received our final audit opinions these Accounts will be signed and published on our website. The pension fund triennial valuation as at 31 March 2022 resulted in a decrease in the net pension liability of £10,216k.

1.6 An updated Audit Completion Report including a Value for Money Commentary relating to the Lincolnshire County Council 2021/22 Accounts is attached at Appendix A and Mazars will present this at the meeting. The key points are:

- There are no significant control deficiencies to be reported to this Committee.
- An unqualified audit opinion is expected to be issued.
- Whilst undertaking adjustments relating to infrastructure assets, we realised that we had been de-recognising infrastructure and other historical cost assets a year later than indicated in our accounting policy. This was corrected and resulted in amendments to disclosure notes but no change to our core statements. This issue is covered in section 4 - Significant Findings.
- There is one medium priority internal control recommendations shown in section 5. This concerns Related Parties declarations, and the recommendation has been taken into consideration in the preparation of the 2022/23 accounts.
- The Summary of Unadjusted Misstatements in section 6 shows that the extrapolated value of unadjusted misstatements is £7,263k, which is below the materiality threshold. Officers have therefore decided not to make adjustments for

these misstatements. Any lessons learned have been taken forward to inform the next Closure of Accounts process.

- 1.7 For the Lincolnshire Pension Fund, all audit work is complete, and an unqualified audit opinion is expected to be issued. There is no progress update appendix for the Lincolnshire Pension Fund Accounts 2021/22, as progress was reported to this Committee on 27 March 2023 and is unchanged from that report.
- 1.8 The external auditor has also completed the required testing and procedures on the 2022 Local Government Pension Scheme triennial review. Assurance letters were sent out on 22 August 2023 to auditors who had requested these. These assurance letters are required to facilitate the sign off of the outstanding 2021/22 audits for the Pension Fund and County Council.

2022/23 Statement of Accounts and External Audit

- 1.9 The Draft Statement of Accounts 2022/23 was presented to this Committee on 19 June 2023. The external audit of these accounts started in July and is currently in progress. At this stage, the final sign off is expected to be at the end of December 2023.
- 1.10 With regards to the Lincolnshire Pension Fund audit, the planning work for the 2022/23 audit year is largely complete, as is the revenue element of the final accounts audit. The audit team is currently liaising with the pensions finance team to complete the work on the investment assets. The work appears to be progressing well and we are not aware of any issues arising that need to be reported to the Audit Committee. Following the receipt of the Pension Fund asset valuations after 31 March 2023 we are expecting to make adjustments to the 2022/23 Pension Fund accounts to reflect the changes in these valuations.
- 1.11 With regards to the Lincolnshire County Council audit, Mazars are working through the final stages of the process, and this will include a walkthrough of the internal controls within the Business World system. We have requested an updated actuarial valuation of the LGPS scheme following amendments made to the Pension Fund asset valuations received after 31st March 2023, and this may result in adjustments to the accounts if there is a material difference in the valuation.
- 1.12 Officers and the external auditors from Mazars will be available at the Audit Committee meeting to answer questions from Members.

2. Conclusion

- 2.1 Following the delays relating to Government guidance about the Whole of Government Accounts, and the national issues around infrastructure assets and the triennial pension fund valuation, good progress has been made recently towards finalising the Accounts for 2021/22 and completing the outstanding audits for 2020/21 and 2021/22. The audit of the 2022/23 Accounts is still in progress.

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	Audit Completion Report 2021/22 - Lincolnshire County Council
Appendix B	Statement of Accounts 2021/22

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.