

Audit, Risk and Governance Committee
Meeting to be held on Monday, 19 October 2020

Electoral Division affected:
(All Divisions);

Approval of the Council's Statement of Accounts 2019/20
(Appendices A, B and C refer)

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Executive Summary

The statement of accounts for Lancashire County Council including those for the Lancashire County Pension Fund are presented at Appendix A.

In order to enable the conclusion of the audit, as required by the auditor, the committee must provide written representations from those charged with governance and management of the council on matters material to the financial statements where other appropriate audit evidence cannot reasonably be expected to exist.

The council's management representation letter is attached at Appendix B and the pension fund management representation letter is attached at Appendix C.

Recommendation

The Audit, Risk and Governance Committee is asked to

- (i) Approve the 2019/20 statement of accounts, at Appendix A, for Lancashire County Council and Lancashire County Pension Fund.
- (ii) Agree the management representation letters at Appendices B and C to be signed by the Chief Financial Officer and the Chair of the Audit, Risk and Governance Committee prior to them being made available to the external auditor.

Background and Advice

In response to the COVID-19 pandemic the Accounts and Audit Regulations 2015 have been amended to allow some additional time for the publication of the statement of accounts. The draft accounts for 2019/20 are required to be published by 31 August, and the final accounts approved and published by 30 November 2020.

The draft statement of accounts were certified by the Chief Finance Officer and published on the council's website on 22 July 2020 ahead of the statutory deadline.

The Pension Fund Committee at its meeting of 18 September 2020, reviewed the accounts of the Fund and subject to any audit adjustments agreed by the Head of Fund, recommended that the Audit, Risk and Governance Committee approve these accounts at their meeting on 19 October 2020.

The final statement of accounts are presented at Appendix A to this report and include all adjustments agreed by the Head of Fund and those indicated in the draft audit findings reports.

Changes to the Statement of Accounts since Publication in July 2020

There have been no amendments to the core financial statements, however the main disclosures changes are detailed as follows.

Financial instruments

Additional disclosures in the financial statements to describe the UK Municipal Bonds Agency bond issuance:

- *Technical annex*

Information on the overall borrowing amounts held on the balance sheet along with the interest rates and maturity information on page 110.

Additional disclosure regarding forward contract agreement on page 111.

- *Note 26 – Financial liabilities*

The note has been amended to include the financial liabilities at fair value through profit and loss on page 75. This is also reflected in the fair value of financial liabilities table on page 104.

Note 3 - Assumptions made about the future and other major sources of estimation uncertainty

The estimation uncertainty relating to fair value estimations and the impairment of debtors have been removed as they were considered to be not material.

The estimation uncertainty relating to the UK's departure from European Union has been removed as it is not possible to quantify the impact to the council at this time.

Additional disclosures relating to the indirect estimation uncertainty due to the council's estimated share of pension fund property assets (page 40).

Note 40 – Events after the reporting period

Further narrative around the impact of the COVID-19 pandemic (page 98).

Lancashire County Pension Fund

The pooled property investments disclosure note has been expanded to include both core and non-core investments on page 187.

Other minor amendments

A small number of minor amendments have been made to the wording of existing disclosure notes in the financial statements to improve their clarity.

Letters of representation

Under the International Standards on Auditing (UK and Ireland), the council's external auditors, Grant Thornton, are required to obtain written representations from those charged with governance and management of the council on matters material to the financial statements where other appropriate audit evidence cannot reasonably be expected to exist.

The council's and the county's pension fund management representation letters are attached at Appendix B and Appendix C respectively.

Following agreement by the committee, the management representation letters must be signed on behalf of the council by the Chief Financial Officer and by the Chair of the Audit, Risk and Governance Committee and made available to the external auditors, to form part of the audit evidence, before the final audit report is issued.

Consultations

The Accounts and Audit Regulations 2015 require the council to make available the accounts for public inspection. This enables any member of the public to inspect the accounts, ask questions and to request copies of related documents where appropriate. The period of inspection for the 2019/20 accounts commenced on 28 July 2020 and ended on 8 September 2020.

Implications:

This item has the following implications, as indicated:

Risk Management

The council's accounts for 2019/20 must be approved and published by 30 November 2020 in order to meet the regulatory deadlines.

The management representation letters for 2019/20 are required by the council's external auditors, Grant Thornton, as part of the audit of the council's statement of accounts.

Failure to provide adequate assurance from management may result in an adverse audit opinion.

**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper	Date	Contact/Tel
The Accounts and Audit Regulations	2015	Khadija Saeed/ (01772) 536195
The Accounts and Audit (Coronavirus) Amendments Regulations	2020	Khadija Saeed/ (01772) 536195

Reason for inclusion in Part II, if appropriate

N/A