

Audit, Risk and Governance Committee
Meeting to be held on Monday, 22 April 2024

Electoral Division affected:
(All Divisions);

The Council's Statement of Accounts for 2022/23 and Letters of Representation

(Appendices 'A' – 'C' refer)

Contact for further information:

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Brief Summary

At its meeting held on 16 October 2023, the Audit, Risk and Governance Committee approved the council's statement of accounts for 2022/23. Following this, the accounts have been subject to extensive audit, and there are some adjustments that are required to be made to ensure that the balances reported present a materially correct position.

These adjustments are largely technical in nature and do not affect the council's reported outturn position for the financial year. The revised statement of accounts is presented at Appendix A and includes the following adjustments since last reviewed by the committee:

- Amended accounting treatment of a pension prepayment;
- Correction in the recognition of a payment in advance;
- Increased disclosure in the note describing 'Related parties'; and
- Correction of a historic misalignment in the fixed asset records

In addition, to enable the conclusion of the audit, the committee must provide to the auditor with written representation on matters material to the financial statements where other appropriate audit evidence cannot reasonably be expected to exist. The council's representation letter is attached at Appendix B and the Pension Fund's representation letter is attached at Appendix C.

Recommendation

The Audit, Risk and Governance Committee is asked to:

- (i) Approve the council's statement of accounts for 2022/23, as set out at Appendix A;

- (ii) Authorise the Chief Financial Officer to approve any further changes to the accounts; and
- (iii) Agree for 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.

Detail

At its meeting held on 16 October 2023, the Audit, Risk and Governance Committee approved the council's statement of accounts for 2022/23. At that time the council's external audit of the accounts had not yet been concluded.

The external audit is now close to completion and as a result, there are some adjustments that are required to be made to the accounts to ensure that they present a materially correct position, alongside some minor wording changes. The following amendments have been made to the accounts since the last review by the committee with the revised accounts presented at Appendix A.

These amendments are largely technical in nature and do not affect the council's reported outturn position for the financial year.

Amended accounting treatment of a pension prepayment

In the financial year 2020/21, the county council made a prepayment to the Pension Fund to pay in advance the equivalent of three years of pension contributions, totalling £120.5m. This enabled the council to receive a discount in the amount paid.

The accounting treatment applied by the council was to reduce the council's pension liability in year one and then to recognise the cost of the pension contribution in each of the three years to which the contribution related through reducing the benefit to the pension liability.

In years two and three of this accounting treatment, the council reduced the pension liability directly, rather than actioning this through the pension reserve. The net effect of correcting this is that the pension liability is reduced in each of the years two and three by circa £40m with the corresponding reduction in the pension reserve. These changes can be seen on the balance sheet and the reserve note of the revised accounts. As this related to both 2021/22 and 2022/23, a prior period adjustment note is also included in the revised accounts.

Correction in the recognition of a payment in advance

Supplier payments totalling circa £14m were made on 4 April 2023, although the recognition of the related costs occurred in March 2023. As the transactions were for services in 2023/24, these were accounted for as a payment in advance. However, as the payment only left the accounts in April 2023, this should have been recognised as a debtor instead.



This correction can be seen in the revised accounts on the balance sheet, notes to the payment in advance and debtors.

This resulted from two accounting periods being open at the same time at the year-end 2022/23 due to technical problems in being able to close the accounting periods down. This technical issue is now resolved, so accounting periods are not open concurrently.

Increased disclosure in the note describing 'Related parties'

The council reports all material related parties per the Chartered Institute for Public Finance and Accountancy (CIPFA) accounting regulations. However, the auditors have brought to the council's attention related parties to the council that, although not material to the council's accounts, they are material to the related entity.

To satisfy the regulations, additional text disclosing these related parties is included in the relevant section of the revised accounts. These total £742,762, and include the following:

Organisation	£
Haslingden Community Link	256,459
Lancashire BME Network Ltd	256,483
Scaitcliffe Community Centre	4,115
The Prospects Foundation	38,000
Winckley Square CIC	187,705

Correcting a historic misalignment in the fixed asset records

A historic misalignment was identified as part of the audit work between the council's fixed asset records and the amount in the Property, Plant and Equipment note in the accounts.

Correcting this misalignment has resulted in a net reduction of £8m in fixed assets and a corresponding £8m increase in the capital adjustment account.

Letters of Representation

Each year, 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 for 2022/23 is presented at Appendix B and the Pension Fund's management representation letter is presented at Appendix C.

Appendices

Appendices A, B and C are attached to this report. For clarification they are summarised as follows and referenced at relevant points within this report.



Appendix	Title
Appendix A	Statement of Accounts 2022/23
Appendix B	Lancashire County Council Letter of Representation
Appendix C	Lancashire County Pension Fund Letter of Representation

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 2022/23 accounts commenced on 6 September 2023 and ended on 9 October 2023.

Implications:

This item has the following implications, as indicated:

Risk management

Failure to complete the statement of accounts in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice may result in an adverse opinion from the council's external auditors.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
N/A	N/A	N/A

Reason for inclusion in Part II, if appropriate

N/A

