



County Offices
Newland
Lincoln
LN1 1YL

3 November 2023

Audit Committee

A meeting of the Audit Committee will be held on **Monday, 13 November 2023** in the **Council Chamber, County Offices, Newland, Lincoln LN1 1YL** at **10.00 am** for the transaction of business set out on the attached Agenda.

Yours sincerely

A handwritten signature in black ink that reads 'Debbie Barnes'.

Debbie Barnes OBE
Chief Executive

Membership of the Audit Committee

(7 Members of the Council and 2 Non-Voting Added Members)

Councillors Mrs S Rawlins (Chairman), M G Allan (Vice-Chairman), S Bunney, P E Coupland, J L King, P A Skinner and A N Stokes

Non-Voting Added Members

Mr I Haldenby, Independent Added Member
Mr A Middleton, Independent Added Member

**AUDIT COMMITTEE AGENDA
MONDAY, 13 NOVEMBER 2023**

Item	Title	Pages
1	Apologies for Absence	
2	Declarations of Interest	
3	Minutes of the Audit Committee meeting held on 25 September 2023	5 - 10
4	Completion of the Audit of Accounts for Lincolnshire County Council and Lincolnshire Pension Fund 2021/22 <i>(To receive a report from Sue Maycock, Head of Finance – Corporate, and Michelle Grady, Assistant Director – Finance, which summarises the events since the 2021/22 accounts were last presented to this Committee, and the current position including outstanding work relating to the audit of Whole of Government Accounts 2021/22)</i>	11 - 52
5	Update on the Audit of Accounts for Lincolnshire County Council and Lincolnshire Pension Fund 2022/23 <i>(To receive a report from Sue Maycock, Head of Finance – Corporate, and Michelle Grady, Assistant Director – Finance, which presents the external auditors’ Audit Completion Reports for Lincolnshire County Council and the Lincolnshire Pension Fund, as well as the Draft Auditor’s Annual Report for 2022/23)</i>	53 - 146
6	Draft Audit Committee Annual Report 2023 <i>(To receive a report from Claire Goodenough, Head of Audit and Risk Management, which brings the draft Audit Committee Annual Report for the Committee’s consideration in advance of the final version being presented for approval in 2024, prior to submission to Council)</i>	147 - 156
7	Horizon Scanning: Trends, Risks and Issues <i>(To receive a report from Claire Goodenough, Head of Audit and Risk Management, which enables the Committee to review emerging trends, risks and opportunities facing local authorities across the country)</i>	157 - 166
8	Audit Committee Work Programme <i>(To receive a report from Claire Goodenough, Head of Internal Audit and Risk Management, which invites the Committee to consider its work programme)</i>	167 - 176

Democratic Services Officer Contact Details

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Please Note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements

Contact details set out above.

Please note: This meeting will be broadcast live on the internet and access can be sought by accessing [Agenda for Audit Committee on Monday, 13th November, 2023, 10.00 am \(moderngov.co.uk\)](#)

All papers for council meetings are available on:
<https://www.lincolnshire.gov.uk/council-business/search-committee-records>



**AUDIT COMMITTEE
25 SEPTEMBER 2023**

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

Councillors M G Allan (Vice-Chairman), S Bunney, P E Coupland, P A Skinner and A N Stokes

Also in attendance: Mr I Haldenby (Independent Added Member) and Mr A Middleton (Independent Added Member)

Officers in attendance:-

Andrew Crookham (Deputy Chief Executive & Executive Director - Resources), Glen Garrod (Executive Director of Adult Care and Community Wellbeing), Michelle Grady (Assistant Director - Finance), Sue Maycock (Strategic Finance Lead - Technical), Clair Goodenough (Head of Audit and Risk Management), Amanda Reid (Strategic Finance Manager), Mandy Knowlton-Rayner (Insurance and Risk Lead), Kevin Lane (Principal Risk Officer) and Thomas Crofts (Democratic Services Officer)

Others in attendance:-

Jennie Norman (Mazars), John Presley (Mazars), Mark SurrIDGE (Mazars) and Varsha Sharma (Mazars)

19 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor J King.

20 DECLARATIONS OF MEMBERS' INTEREST

There were no declarations of interest made at this point in proceedings.

21 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 19 JUNE 2023

RESOLVED

That the revised minutes of the meeting held on 19 June 2023 be agreed and signed by the Chairman as a correct record.

22 MARKET SUPPLY

For openness and transparency, Glen Garrod, Executive Director of Adult Care and Community Wellbeing, declared that his spouse was a General Practitioner.

Consideration was given to a report from Glen Garrod, Executive Director of Adult Care and Community Wellbeing, which set out gave an update on market supply in the adult social care sector, as requested by the Committee. The following matters were highlighted:

- Adult social care markets consistently presented a risk to the Council largely due to labour supply.
- The market was dominated by commercial care providers, with some provision delivered in house by the Council.
- Some remote localities within the county suffered from shortages in care provision due to the impact of commercial viability – with the south of the county especially difficult to resource.
- The home care market had stabilised this year with a consistent workforce despite continued staff turnover.
- Lincolnshire was oversupplied in terms of its residential care provision.

The Committee considered the report, and the following comments were raised:

- The sector was subject to limited funding and stretched resources in a large, dispersed county like Lincolnshire. To manage this, capacity was boosted when required; however, this was a resource intensive and offered only a short-term solution.
- Recent industrial action in the NHS and health and social care sectors had created a pinch point in the flow of patients and care users.
- There was a shortage of primary care colleagues and district nurses across Lincolnshire, and as care users more frequently presented with complex needs, with five or more long term illnesses, this element of care was increasingly in demand.
- Lincolnshire's adult social care was performing when benchmarked against similar authorities. This was in part due to the well managed joint working between the Council and the NHS and other health and social care colleagues.
- The Council received market reports on a weekly basis in order to monitor care provision across the county.
- The Council was currently investing in alternative forms of housing for increased need care users to ensure complex needs were not exacerbated by inappropriate living conditions.
- It was paramount that a balanced budget was maintained so that the Council could commit to long-term contracts and contracts with independent providers, which often gave best value for money.
- A graduated approach to care was being pursued, which prioritised quality housing and greater health and social care outreach. Use of technology to promote virtual home visits and remote calls from care providers were being explored where appropriate.
- More efficient and effective care depended upon better joint working between health care and social care colleagues in Lincolnshire.
- The social care market was growing, which meant that overall capacity was becoming less of a concern.

RESOLVED

That the report and comments made be noted.

23 UPDATE ON STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT OF ACCOUNTS FOR LINCOLNSHIRE COUNTY COUNCIL AND LINCOLNSHIRE PENSION FUND

Consideration was given to a report from Michelle Grady, Assistant Director – Finance, which provided an update to the Committee regarding the Council’s statutory Accounts for 2020/21, 2021/22 and 2022/23 and progress made by the external auditor. It was reported that the Council had completed the statement of accounts for 2020/21, 2021/22 and 2022/23 and deadlines had now been firmed up with the external auditor for their sign off.

Mark Sturridge, representing the external auditor, Mazars, reported that two lingering issues had had delayed the sign off of the outstanding statements of accounts. These issues concerned the accounting valuation of infrastructure assets and the triennial pensions review, which were issues that were being faced by many councils across the country. However, these issues had now been resolved and the external auditor was working to finalise their sign off.

Mazars stated that Lincolnshire County Council was ahead of many other authorities in progressing their statements of accounts and that the Council showed value for money in its accounts.

The Committee considered the report, and the following comments were raised:

- The outstanding closure of the statement of accounts had not impacted the quality of the Council’s decision making, as budget monitoring was reported separately, and decisions were subject to the overview and scrutiny process.
- The external auditor’s audit opinion was expected to be ready by the end of the week for the 2021/22 accounts and by December 2023 for the 2022/23 accounts.
- Financial issues similar to those face by Birmingham City Council would be flagged if they were present in the level of reserves risk reporting.
- It was not anticipated that the financial resilience of the Council would change over the coming years and no stresses had been discernible over the past recent years.

RESOLVED

That the report and comments made be noted.

24 EXTERNAL AUDIT STRATEGY MEMORANDA - LINCOLNSHIRE COUNTY COUNCIL AND LINCOLNSHIRE PENSION FUND 2022/23

**AUDIT COMMITTEE
25 SEPTEMBER 2023**

Consideration was given to a report from Michelle Grady, Assistant Director – Finance, which introduced the external auditor’s 2022/23 Audit Strategy Memoranda for Lincolnshire County Council and the Lincolnshire Pension Fund.

Mark SurrIDGE, John Presley and Varsha Sharma from the external auditor, Mazars, presented the Memoranda and guided the Committee through the audit scopes, audit approaches, timelines, risks, and key judgement areas.

The Committee considered the report, and the following comments were raised:

- The Committee noted that the accounts were stable and that there were no large movements regarding the value of investments.
- The Committee welcomed the additional resourcing undertaken by the external auditor to process the backlog of work, which was thought to be completed by December 2023.

RESOLVED

That the Committee note the two external audit documents and comments made.

25 RISK MANAGEMENT PROGRESS REPORT - QUARTER 2 2023/24

Consideration was given to a report from Mandy Knowlton-Rayner, Insurance and Risk Lead, and Kevin Lane, Principal Risk Officer, which provided an update on how well the Council's strategic risks were being managed. The following matters were highlighted:

- The strategic risks continued to be managed and monitored pro-actively and key messages from the strategic risk reviews were highlighted, which included risks concerning recruitment, budgets, debts, and transformation.
- The assurance level for recruitment had been updated to substantial with an improving direction of travel, thanks to the current stable attrition rate and improved recruitment across the Council.

The Committee was advised that a new deep dive topic needed to be considered and it was suggested that the next topic should concern a risk with limited assurance, with recommendation that IT infrastructure be considered.

The Committee considered the report, and the following comments were raised:

- The Committee welcomed the improved staffing situation and noted that IT infrastructure presented a continued risk to all organisations.
- Staffing was a primary risk and it was necessary to understand the reasons for why staff left the Council.
- Work had been underway to make the Council an employer of choice and recent questionnaires had found that employees considered Lincolnshire County Council to

be a place where people want to work. Benefits, such as hybrid working and wellbeing offers, had been developed to make the Council a more attractive employer.

- Hybrid working under Smarter Working had proven successful, and performance had been maintained. A formal evaluation was due to be undertaken and findings would be presented to the Committee in the Combined Assurance report.

The Committee felt that a deep dive into risks associated with IT was necessary.

RESOLVED

1. That Committee note the current status of the strategic risks facing the Council.
2. That the next scheduled deep dive report focus on IT infrastructure risks.

26 ANNUAL GOVERNANCE STATEMENT 2022/23

Consideration was given to a report from Claire Goodenough, The Head of Internal Audit and Risk Management, which presented the Council's Annual Governance Statement (AGS) to the Committee. It was clarified that there had been minimal changes from the draft version of the AGS and that the final version now included the latest performance data and links to approved supportive reports.

The Committee considered the report, and received assurance from officers that the Council was operating under a good system of governance and that work was under way to encourage further collaborative working between departments.

RESOLVED

1. That the Committee agree that the Annual Governance statement accurately reflects how the Council is run.
2. That the statement included the significant governance issues/key risks it would have expected to be published.
3. That the statement be approved by the Committee and its adoption is recommended for approval by Council.

27 AUDIT COMMITTEE WORK PROGRAMME

The Head of Internal Audit and Risk Management introduced the Work Programme which provided the Committee with core assurance activities currently scheduled for the year.

It was advised that a review of the Work Programme had been undertaken to better distribute items and afford greater time for discussion. The following changes had been made:

- Counter Fraud Progress Reports would feature two times a year and include increased detail.

6

**AUDIT COMMITTEE
25 SEPTEMBER 2023**

- Risk Management Progress Reports would feature three times a year, supporting the annual combine risk report (previously combined assurance).
- 2024/25 would be subject to changes regarding financial reporting in order to accommodate delays to account sign offs, but would return to normal in 2024/25.

The Committee were also advised to appoint a Counter Fraud Champion from their membership to lead on and develop an expertise in fraud related matters.

The Committee supported Ian Haldenby to be appointed their Counter Fraud Champion.

RESOLVED

1. That the work programme be approved.
2. That Ian Haldenby, Independent Added Member, be appointed as the Audit Committee's Counter Fraud Champion.

The meeting closed at 11.35 am



Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director of Resources

Report to:	Audit Committee
Date:	13 November 2023
Subject:	Completion of the Audit of Accounts for Lincolnshire County Council and Lincolnshire Pension Fund 2021/22

Summary:

The audit of the 2021/22 accounts has now concluded. This report summarises the events since the 2021/22 accounts were last presented to this Committee, and the current position including outstanding work relating to the audit of Whole of Government Accounts 2021/22. A Mazars representative will be in attendance at the meeting to answer any questions arising.

Recommendation(s):

The Executive Director of Resources recommends that the Audit Committee notes the position of the audit for the 2021/22 accounts.

1. Background

- 1.1 Members of this Committee will be aware that the accounts for 2021/22 have remained open to allow for amendments following the reporting of national issues. The first national issue related to the accounting treatment of infrastructure assets, and the second national issue was that the Local Government Pension Scheme triennial valuation on 31 March 2022 had been published and so needed to be taken account of in the 2021/22 accounts.
- 1.2 Mazars LLP (Mazars) presented an Audit Completion Report 2021/22 for the Lincolnshire Pension Fund to this Committee on 14 November 2022, and an Audit Completion Report 2021/22 for Lincolnshire County Council to this Committee on 25 September 2023. The Lincolnshire County Council Audit Completion Report 2021/22 did not include a Value for Money commentary at the time. This commentary is included in section three of the Auditors Annual Report, which is attached at Appendix A.
- 1.3 Officers amended the accounts to recognise the interim requirements for accounting for infrastructure assets and also amended the accounts to reflect an updated valuation for the Lincolnshire Pension Fund. The Statement of Accounts 2021/22

including these amendments was presented to this Committee on 25 September 2023, although this document did not include audit opinions. The audit of these accounts has been completed by Mazars and they have issued unqualified audit opinions for both Lincolnshire County Council and the Lincolnshire Pension Fund. The final Statement of Accounts 2021/22, including the two audit opinions, will now be signed and then published on the Council's website.

- 1.4 Mazars have issued an Audit Completion Report Follow Up Letter for Lincolnshire County Council for 2021/22 and this is attached as Appendix B and includes updates to the position last reported by Mazars to this Committee. It is in draft format because it is due to be dated and signed. There are no further matters to report for the Pension Fund. A Mazars representative will attend the Committee meeting to answer any questions arising about the audit of the 2021/22 accounts.
- 1.5 There remains the outstanding matter of the audit of the Whole of Government Accounts for 2021/22, with Mazars awaiting further guidance on this from the National Audit Office. Once this work has been carried out, an Audit Certificate for 2021/22 will be issued and published on the Council's website.

2. Conclusion

- 2.1 The audit of the 2021/22 accounts is now complete and unqualified audit opinions have been issued. The final Statement of Accounts can now be signed off and published. An Audit Certificate for 2021/22 will be issued once the outstanding audit of the Whole of Government Accounts 2021/22 has been concluded.

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	Auditor's Annual Report Lincolnshire County Council 2021/22
Appendix B	Audit Completion Report Follow Up Letter 2021/22 Draft

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 .

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Auditor's Annual Report

Lincolnshire County Council – year
ended 31 March 2022

November 2023
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- 03 Commentary on VFM arrangements
- 04 Other reporting responsibilities

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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales

01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Lincolnshire County Council ('the Council') for the year ended 31 March 2022. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

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Opinion on the financial statements

We expect to issue our audit report by December 2023. Our opinion on the financial statements is expected to be unqualified.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



Wider reporting responsibilities

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2022 and of its financial performance for the year then ended. Our audit report, to be issued by December 2023, is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2022.

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded other than where already documented they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

There have been two particular accounting challenges for the local authority sector in 2021/22:

1. Accounting for Infrastructure Assets (where guidance was not published and made available until January 2023). This has led to an increase in management discussion, auditor challenge and underlying substantive testing of core data.

We performed additional testing and review procedures over the Council's processes and accounting arrangements, which found that whilst there are clear and established procedures in place, these would not meet the Code standards in full, so Officers accepted that to make changes to the accounting disclosures. Alongside this, an error was noted where some infrastructure assets had been derecognised in the wrong year and the Council corrected this by way of restating the prior year information.

1. Considering the impact of the triennial valuation of pension schemes

We discussed the impact of the triennial pension valuation and how this may impact the 2021/22 financial statements. Officers obtained an updated valuation report, resulting in a £16m adjustment to the carrying value

of the Pension Fund Asset in the financial statements.

Our detailed findings were presented to the Audit Committee on 25 September 2023.

Internal Control Recommendations

As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We did not identify any 'High – level 3' recommendations for 2021/22.

2. Audit of the financial statements

Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>	<p>Significant risk: an area that, in our judgment, requires special audit consideration.</p>	<p>We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to extract accounting journals for detailed testing on specific risk characteristics.</p>	<p>There are no significant matters to report in respect of management override of controls.</p>
<p>Valuation of the net pension liability</p> <p>The defined benefit liability relating to the Local Government and Fire-Fighter's pension scheme represents significant balances on the Council's balance sheet. The Council uses two actuaries to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk of misstatement in this area.</p>	<p>Significant risk</p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> critically assessing the competency, objectivity and independence of the Pension Funds' Actuaries; liaising with the auditors of the Lincolnshire Local Government Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and agreeing the data in the IAS 19 valuation report provided by the Fund Actuaries for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. 	<p>Following adjustments to the financial statements to take account of updated information not available to the Council at the time of preparing its financial statements, our work obtained the assurances we sought.</p>

2. Audit of the financial statements

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p>Valuation of land & buildings and investment properties</p> <p>Land, Building and Investment Property assets are significant balances on the council's balance sheet. The valuation of these assets is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p>	<p>Significant risk</p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends; critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and testing a sample of individual valuations, back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied. 	<p>There were no significant issues noted from our testing to date that need to be brought to the attention of Members.</p>

03

Section 03:

Commentary on VFM arrangements

3. VFM arrangements – Overall summary

Context of the Auditor's Annual Report

Our Auditor's Annual Report summarises the work we have undertaken as the auditor for Lincolnshire County Council for the year ended **31 March 2022**, where at the time of reporting in September 2023, we recognise that the social, political and economic environment has changed and local government is facing significant challenges including:

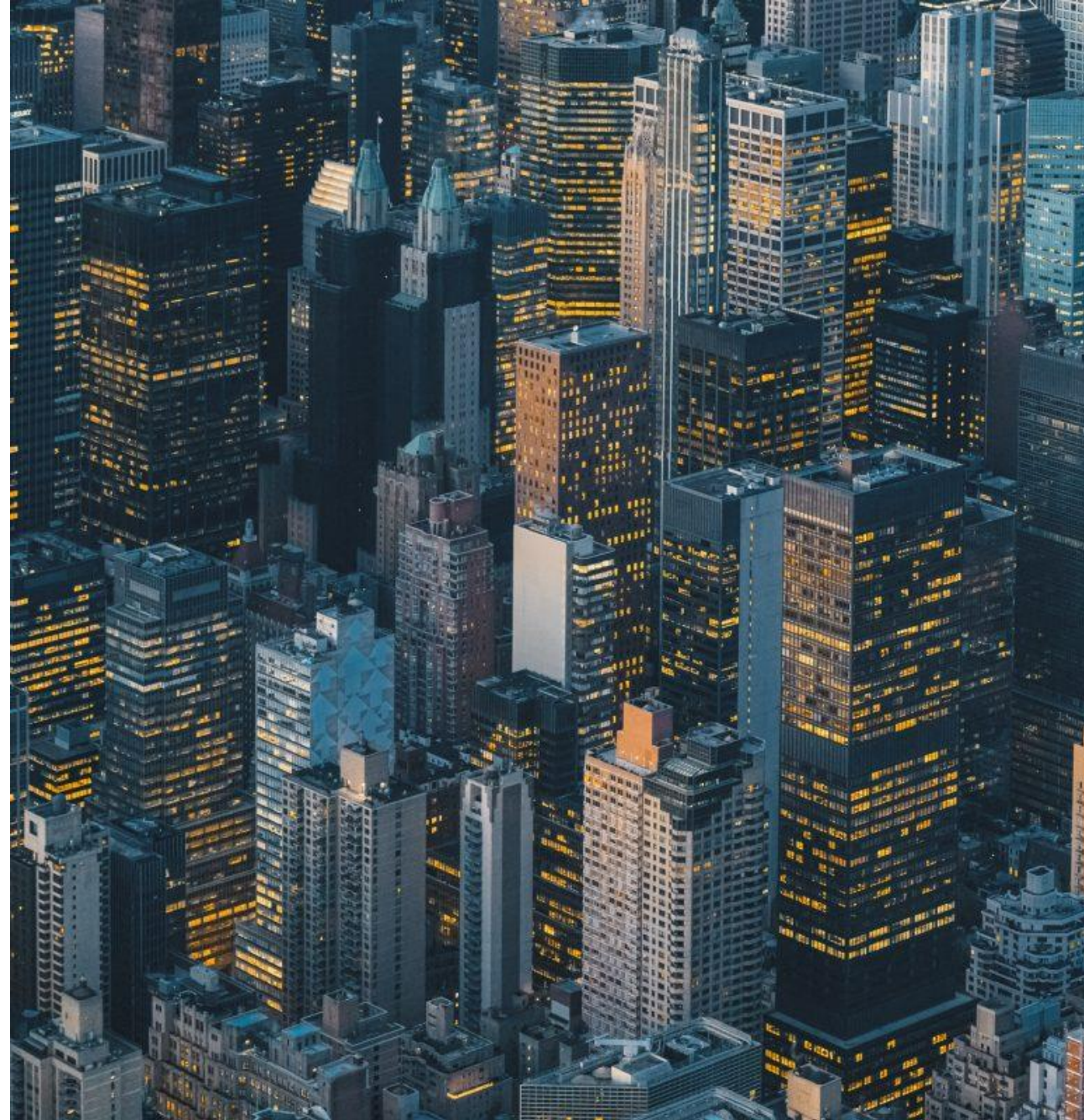
- **Cost of Living:** With most people experiencing financial pressure, spending habits are changing. High energy costs and increasing food prices have impacted on levels of disposable income. With wage (and potentially benefit) increases failing to keep pace with inflation, more people will be facing hardship.
- **Added budget pressures:** With inflation soaring, the cost of goods, services and resources are becoming more expensive. Local authorities are not immune to the increasing cost of energy supply, although the government announcements on energy caps help, many local authorities are still facing higher costs. Local authorities typically budget for modest salary increases year on year, but expectations and demands on salary increases have changed and consideration on how they are to be funded is required.
- **Cost of Borrowing:** The Bank of England base rate has risen meaning that the cost of borrowing for capital projects has increased significantly.
- **Contractors and Suppliers:** The cost-of-living crisis has resulted in business failures. Although government support has been announced, some businesses will continue to struggle, with a greater risk of supplier failure. Supply failures anywhere in the supply chain will have a knock-on effect.
- **Service Delivery:** Likely budget reductions and savings plans are going to impact the ability of local authority services to maintain levels of delivery, particularly at a time of increased demand.

We maintain alert to the key issues facing Lincolnshire County Council and, should we identify a risk of significant weakness in arrangements, will promptly raise these with management and issue any reports to the Audit Committee as part of our audit for the year ending 31 March 2023.

3. Commentary on VFM arrangements

Overall summary

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VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services



Governance - How the Council ensures that it makes informed decisions and properly manages its risks



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

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Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and Members.

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We have not identified any risks that require additional procedures.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

• Recommendations arising from significant weaknesses in arrangements

We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

• Other recommendations



We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

Our Value for Money commentary looks at the arrangements in place for the period from 1st April 2021 to 31st March 2022. We recognise that there are substantial changes in the economy and operating environment since then, including levels of inflation and an impending budget announcement and we will, therefore, be mindful of these as part of our final reporting.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness? *	Actual significant weaknesses identified? *	Other recommendations made?
 Financial sustainability	14	No	No	No
 Governance	17	No	No	No
 Improving economy, efficiency and effectiveness	21	No	No	No

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3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

Position brought forward from 2020/21

We reported in our Annual Auditor’s Report for 2020/21, that we had;

- Reviewed the 2020/21 financial performance and forecasts during the year and considered the Council’s financial outturn position as presented in the financial statements;
- Reviewed the 2021/22;
 - Revenue and Capital budgets and Medium-Term Financial Plan;
 - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies; and
 - Considered the Council’s latest financial monitoring information and its updated medium-term outlook.
- Updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports;
- Reviewed the Council’s Annual governance Statement for any significant issues; and
- Considered the general findings from our audit work in other areas.

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2020/21.

Overall responsibilities for financial governance

We have reviewed the Council’s overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2021/22. These confirm the Council undertook

its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council’s service users.

2021/22 Statement of Financial Position

We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and the Balance Sheet, our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council’s financial sustainability. The Council’s reserves position at 31 March 2022 show:

- General Fund Balance of £16m, consistent with the 2020/21
- School Reserves of £27m, up from £26m in 2020/21;
- Earmarked Reserves (including a financial volatility reserve of £47m) of £218m, down from £231m in 2020/21; and
- Capital Reserves of £72m, down from £93m in 2020/21.

Adequate disclosures have been made in the Financial Statements (Note 15) and Narrative Report to support why these balances have moved.

VFM arrangements – Financial Sustainability

The Council's financial planning and monitoring arrangements

We have met regularly with Officers during the year and read the Quarterly Reports to Executive. Each report summarises the financial position of the Council and is supported by a set of appendices that adequately enable Members to assess revenue performance by service (such as Children's Services, Place etc). We note the reports explain the variance to budget, which increased in size from Quarter 3 through to the year-end; this is shown in the table below.

Reports to Executive include the monitoring of planned savings of £11.4m for 2021/22 and £4.8m for 2022/23 as reported in the Revenue Budget Monitoring Report 2022/23 – Quarter 1, presented to the Executive in September 2022. These savings are built into budgets and triangulate with the individual service level reports included in the supporting appendices to the Quarterly Revenue reports to Executive.

We have reviewed note 15 of the financial statements, setting out earmarked reserves, and in particular the Financial Volatility Reserve that was established to help the Council deal with the future uncertainties around Local Government funding. The Council did not use any of this reserve in the year, instead it added £6.4m leaving a balance of £46.9m as at 31 March 2022.

In July 2022, the Executive were informed that there had been:

A £5.8m underspend on Services (1.3%) and £6.5m underspend on other budgets (6.9%), and the Council received £1.4m (less than 0.5%) more general funding income that originally budgeted for (not considered to be a material variance between reported sums);

- £17.2m underspend via dedicated schools grant, of which £13.9m relates to balances from the prior year;
- Support paragraphs explains that these underspends are mainly the result of Covid-19 and the subsequent knock on effects this has caused alongside staff vacancies and Capital programme slippage.

Overall, in our view, the Council's arrangements for reviewing revenue financial performance are adequate.

We reviewed capital expenditure as presented in the financial statements and tested capital additions and REFCUS (Revenue Expenditure Funded from Capital Under Statute), with no material issues arising over the £147m additions to Property, Plant & Equipment set out in Note 15 of the financial statements.

We also reviewed the "Review of Financial Performance 2021/22" presented to Executive on 5 July 2022. Paragraph 1.11 explains the Council spent £194m on the County's major assets, in particular on road schemes and schools. We have reconciled this to the financial statements which show a total of £195.7m (PPE Additions of £147.8m, Investment Properties of £0.5m and Revenue Expenditure Funded by Capital Under Statute of £47.4m), noting a non-material variance of £1.4m between the figures reported to Executive and that in the financial statements.

We reviewed the capital outturn report to the July meeting of the Executive, who were informed that the capital outturn for 2021/22 was 33% less than planned, with Highways being underspent by £19.6m mainly caused by: the Lincoln Eastern Bypass, the Grantham Southern Relief Road, Spalding Western Relief Road and the A52 Skegness Roman Bank reconstruction; and the Highways Asset Protection block budget. Appendix A to the Report provides a status report on major schemes, which provides members a summary of capital project including:

- Spending for the financial year
- Changes in the budget
- Whole life-time financial information
- Purpose and performance of the scheme.

This demonstrates adequate arrangements for monitoring the capital programme, not just on a year-to-year basis, but over the life of the project.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2022.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks

Page 31



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

Position brought forward from 2020/21

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2020/21.

The Authority’s governance structure

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

We confirmed that the Council has an approved constitution that is regularly reviewed and updated. The Constitution explains how the Council operates and makes decisions. It ensures that the Council is efficient, transparent and accountable for what it does. We consider the committee structure of the Authority is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

We have reviewed Council and Committee Reports and minutes during the year as well as key documents in relation to how the Council ensures that it makes informed decisions and properly manages its risks. Our review of Council and Committee papers confirms that a template covering report is used, ensuring the purpose, consultation, and recommendations are clear. Minutes are published and reviewed by each committee to evidence the matters discussed, challenge and decisions made.

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

2021/22 Budget Setting and the Medium-Term Financial Strategy

We have read reports to Overview & Scrutiny Management Board, the Executive and Council covering budget setting for 2022/23 and the Medium-Term Financial Strategy. We have also held a number of meetings with Officers throughout the year.

Each service directorate supports the development of the budget, identifying cost pressures and delivery needs within the Corporate Plan before presenting a combined report on the budget and Medium-Term Financial Strategy for scrutiny by the corporate leadership team, Overview & Scrutiny Management Board, the Executive and full Council. The arrangements in place for budget setting and updating the Medium-Term Financial Strategy are as expected for a County Council, with arrangements for: consultation, scrutiny, evaluation of financial risk, alignment to directorate/business plans and sources of funding.

There is no indication that the Council’s Medium Term Financial Strategy and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

2021/22 Budget Setting and the Medium-Term Financial Strategy (continued)

A budget consultation presentation was made to Overview & Scrutiny in January 2021 adequately summarises the financial context of the authority, including the impact of Covid-19 cost pressures, which were in additional expenditure and income loss during 2021/22, mostly covered by government grant. Members are aware of the Council's positive track record in financial delivery, which is consistent with our knowledge, including the ability to maintain financial balance with minimal use of reserves.

We read the assumptions underpinning the Medium-Term Financial Strategy as included in reports to the January meeting of the Executive and the January 2022 meeting of Overview & Scrutiny Management Board. In our view, these include an adequate level of detail over the assumptions and cost pressures facing the council, which are consistent with our experience at similar sized authorities and therefore not unreasonable. In addition, there is sufficient narrative to explain the rationale and key financial risks.

We considered the expected cost pressures within the Medium-Term Financial Strategy over the period 2022/23 to 2025/26.

	2022/23	2023/24	2024/25	2025/26	Total
Cost pressures (including inflation but net of savings and additional income)	48.8m	15m	12.3m	18.1m	£94.1m
Transfer from earmarked reserves	(£2.3m)	(£9.3m)	(£6.5m)	(£6.9)	(£25m)
Total net amount	£46.5m	£5.6m	£5.8m	£11.2m	£69.1m

Although the level of cost pressures is large, overall, a balanced budget was set. The Council's reserves position does not indicate a risk of significant weakness in VFM arrangements for financial sustainability and provide some mitigation against future financial challenges and will assist in addressing future volatility and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long-term solution to funding gaps.

Risk management

The Audit Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Executive. We reviewed minutes and meetings of the Audit Committee during the year, including the Risk Management Progress Report in March 2022. The report provides an update on the activities being undertaken and the key strategic and operational issues facing the Council since the last update in September 2021. Appendix 1 to the Report sets out a breakdown of the risks, issues and status by directorate. From our attendance at the meeting and review of the minutes, are satisfied there is sufficient evidence of Member oversight of risk management, including holding Officers to account.

We reviewed the Strategic Risk Register reported to the March 2022 Audit Committee and determined it is adequate for the Council's purposes, given it links the risk to the corporate strategy, includes a risk owner and current and target risk scores, assurance status and existing controls.

The Audit Committee receive a 'Combined Assurance Report' to provide the Audit Committee with insight on the assurances across all the Council's critical services, key risks, partnerships and projects. We obtained and read the report to the February 2022 Audit Committee, being satisfied that it is demonstrative of adequate arrangements in place over risk management.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Audit Committee

The Council has an established Audit Committee that comprises seven councillors, who represent the political balance of the Council, plus two independent persons who are not a councillor, or an officer of the Council. We have reviewed supporting documents and confirmed the Audit Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge.

Internal Audit

We have met with management and the Head of Internal Audit regularly during the year, reviewed Audit Committee reports and attended Audit Committee to observe the performance of Internal Audit and the Audit Committee. We have documented our understanding of the Internal Audit function, which is provided by an in-house team which operates as part of Assurance Lincolnshire - supported by additional resources procured via external support framework contracts.

We reviewed the Head of Internal Audit Annual Report that was presented to Audit Committee on 11 July 2022, where the overall opinion is split across four themes:

- Governance – “Performing Well” showing an improvement since the prior year.
- Risk – “Performing Well”, being a consistent rating as the prior year.
- Internal control – “Performing Adequately” being a consistent rating as the prior year.
- Financial control – “Performing Well” showing an improvement since the prior year.

We also confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement.

Monitoring officer and Conduct

We reviewed the Monitoring Officer’s Annual Report presented to the Audit Committee in September 2022 and met with the Monitoring Officer throughout the year. We are satisfied this report provides supporting evidence of adequate arrangement in place to monitor and support lawful and informed decision making.

Scrutiny

In May 2022, Full Council received and approved the Annual Report for Overview and Scrutiny for 2021/22. We have read the report which highlights the scrutiny work that has taken place throughout the last year. The report focuses on the key successes and achievements of Overview and Scrutiny over the past year. As set out in the first page of the report “During 2021/22, 54 formal scrutiny committee meetings were held, and 78% of all formal decisions were considered by a scrutiny committee prior to them being made, which is up from 65% last year”.

There is no evidence of inadequate arrangements in informed decision making in this report.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Governance criteria for the year ended 31 March 2022.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

Position brought forward from 2020/21

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from 2020/21.

Regulators

We reviewed regulatory reports, including OFSTED, where the report from 2019 was in place, rating Children's Services as "Outstanding". The Council retained this rating in the inspection report issued in April 2023.

Her Majesty's Inspector for Fire & Rescue Services inspection was published in December 2021 with a rating of "Requires Improvement". In line with prior year findings, we are satisfied that the report does not suggest a significant weakness in the Council's arrangements.

Corporate Plan and Performance Monitoring

The Council's arrangements are consistent with the prior year, which were deemed adequate, with the Council's Corporate Plan setting out what it wants to achieve for local residents and communities and is published on its website. The Council's overall financial objectives and strategy are documented in the Council's budget and Medium-Term Financial Strategy which is reviewed and updated annually.

Our review of minutes and reports confirms the Executive and the Overview and Scrutiny Management Board receive regular reporting on the measures contained within the Council Business Plan. We reviewed the performance outturn for 2021/22 presented to Executive in July 2022 as evidence of the Council's approach to evaluating performance. In our view, reports contain sufficient narrative, including the appendices, to demonstrate that there are adequate arrangements for scrutiny in assessing performance and identifying areas for improvement. Our review of the minutes, show these record Member challenge, such as requesting further information in relation to the life expectancy for Lincolnshire residents, and evaluation, such as reflecting on the reduction in people Killed or Seriously Injured on Lincolnshire's roads.

Overall, we believe this is sufficient evidence to demonstrate adequate arrangements for performance monitoring at the Council.

Partnerships and Commissioning

Through our work on the financial statements, our testing of expenditure, and consideration of key financial controls, has not identified any issues relating to procurement.

One Council Commissioning Framework 2021-2024

In 2020, the Council undertook a piece of work with external consultants, Impower, to review the current commissioning model and overall approach in use across the Council to consider how current commissioning practices could be more effective. We reviewed the report presented to the Overview and Scrutiny Management Board on 17 March 2021, which considers the Draft One Council Commissioning Framework 2021-2024, subsequently to be presented to the Executive on 7 April 2021. The views of the Board were reported to the Executive as part of its consideration of this item. Having read the document, we are satisfied this is indicative of adequate arrangements for strategic commissioning.

Better Care Fund (BCF)

Note 33 of the Council's Financial Statements explains the Council is the host for pooled budgets relating to: Proactive Care, Specialties including Learning Disabilities, Integrated Community Equipment Service, and Child & Adolescent Mental Health Services; and is responsible for their financial administration. Outside this Better Care Fund is a stand-alone Section 75 Agreement for Sexual Health. Our testing of the financial statements has not identified any material issues over these disclosure notes, which show each pooled budget remains in balance.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2022.

04

Section 04:

Other reporting responsibilities and our fees

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4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We have not received the instructions from the NAO and therefore this work remains incomplete.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Governance Scrutiny Group in June 2022. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as follows:

Area of work	2020/21 Actual fees	2021/22 fees*
Planned fee in respect of our work under the Code of Audit Practice	£82,640	£82,640
Additional fees in respect of additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties; and major local audit requirements.	£12,287	£13,940
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	£4,656	£4,700
Additional fees in respect of additional testing undertaken on infrastructure assets	-	£11,750
Additional fees in respect of additional testing to take account of the triennial pension valuation	-	£6,500
Additional fees in respect of additional testing undertaken due to COVID-19	£5,223	-
Additional fees in respect of the VFM Commentary	£14,063	£14,000
Total fees	£118,869	£133,530

*These costs are subject to PSAA review and approval. The Council received **£42,601** of grant funding, to meet rising audit costs for 2021/22.

Fees for other work

In 2021/22, we were engaged to provide assurance related services on the Teachers' Pensions Return (fee £3,500) and Education & Skills Funding (£5,250).

Mark Surridge, Key Audit Partner

Mazars

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Birmingham

B3 3AX

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*where permitted under applicable country laws.



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xx November 2023

Dear Members of the Audit Committee

Audit Completion Report – follow-up letter

Following on from our recent meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit Completion Report dated 8 September 2023 and verbally reported to you at the Audit Committee meeting of 25 September 2023.

The outstanding matters and the conclusions reached are detailed below:

Audit area	Matters previously outstanding	Status	Conclusions
Whole of Government Accounts	We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.	Remains incomplete	We have not yet received final instructions from the National Audit Office and therefore are unable to issue the certificate.
Completion procedures	Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.	Complete	During our completion procedures, we identified an error that management has chosen not to adjust for because, in their view, the impact is not material. It is recorded as item 4 at Appendix A.
Value for Money	Our VFM work is complete, and we have not identified any significant weaknesses that require further work or reporting to members. Our commentary will be presented within our Auditor's Annual Report.	Complete	We issued a progress report in November 2022 setting our findings and, having completed the work on the financial statements have issued the Auditor's Annual Report.

Mazars LLP

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A copy of the final wording of our audit report, in line with appendix B of our Audit Completion Report, is attached.

If you wish to discuss these or any other points, then please do not hesitate to contact me.

Yours sincerely,

Mark Surridge, Key Audit Partner
Mazars LLP

Appendix A – Consolidated Adjustments and Misstatements

Finalised unadjusted misstatements:

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: CIES – Cost of Services Income Cr: GF Reserves	811			811
<p>Extrapolated error reported in November 2022: As part of our income cut off testing, we identified one transaction that related to 2020/21 and had been incorrectly recorded in the current financial year. This meant that income for 2021/22 is overstated. Because we apply a sampling methodology, where we cannot confirm the error is isolated, we must extrapolate the impact of the error across the remainder of the population. This has led to an extrapolated error of £811k.</p>					
2	DR: Unusable Reserves CR: Property, Plant & Equipment			1,501	1,501
<p>Extrapolated error reported in November 2022: As part of our property, plant and equipment valuation testing, we identified a number of variances between the internal area used in the calculation workings. It has been identified that the Council's records use Gross Internal Area, where the Valuer has used Net Internal area, with no way to reconcile the two. Therefore, this has been flagged as an error and extrapolated accordingly. This creates a net understatement within the financial statements. Because we apply a sampling methodology, where we cannot confirm the error is isolated, we must extrapolate the impact of the error across the remainder of the population. This has led to an extrapolated error of £1,501k</p>					
3	Dr: Cost of Services Income Cr: GF Reserves	4,951			4,951
<p>Extrapolated error reported in September 2023: As part of part of our income testing, we identified one transaction that related to a refund that had been incorrectly processed and not accounted for appropriately within the current financial year. This meant that income for 2021/22 is overstated. Because we apply a sampling methodology, where we cannot confirm the error is isolated, we must extrapolate the impact of the error across the remainder of the population.</p>					
4	DR Capital Additions CR: Short-Term Payables – Capital Accruals			3,382	3,382
<p>Factual error reported in November 2023: In our testing of capital additions for our 2022/23 audit, we identified an invoice posted in 2022/23 for works up to the end of March 2022 and therefore ought to have been accrued as capital expenditure in 2021/22.</p>					
Total unadjusted misstatements		5,762	0	4,883	10,645

Appendix B: Independent auditor's report to the members of Lincolnshire County Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Lincolnshire County Council ("the Council") for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Lincolnshire Fire and Rescue Pension Fund statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2022 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Resources with respect to going concern are described in the relevant sections of this report.

Other information

The Executive Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Executive Director of Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Executive Director of Resources is also responsible for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Executive Director of Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Executive Director of Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;

- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in this respect.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014;
or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Lincolnshire County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

[Signature]

[Name] Key Audit Partner
For and on behalf of Mazars LLP

Address

[Insert date]

Appendix C: Management Representation Letter

Mazars LLP
First floor,
Two Chamberlain Square,
Birmingham
B3 3AX

Dear Mark

Lincolnshire County Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Lincolnshire County Council (the Council) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation, and other material;
- Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Executive Director of Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Executive Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and

others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed to you in accordance with the requirements of the Code and applicable law.

I have disclosed the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the impact of Covid-19 on the Council's Investment Properties. I have made reasonable enquiries regarding RAAC that may affect our assets. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements, and for which the Code and applicable law require adjustment or disclosure, have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Ukraine

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report fairly reflects that assessment.

Current banking crisis

We confirm that we have assessed the impact on *Lincolnshire County Council* of the on-going Global Banking challenges, in particular whether there is any impact on the company's ability to continue as a going concern, and on the post balance sheet events disclosures.

We confirm that our exposure where applicable (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements and internal control recommendations

I confirm that the effects of the uncorrected misstatements and internal control recommendations set out at Appendix A are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Executive Director of Resources



Appendix A

Unadjusted Misstatements

Internal Control Recommendations



Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director of Resources

Report to:	Audit Committee
Date:	13 November 2023
Subject:	Update on the Audit of Accounts for Lincolnshire County Council and Lincolnshire Pension Fund 2022/23

Summary:

The audit of the 2022/23 accounts is now substantially complete and is expected to conclude by the end of November 2023. This report presents the external auditors' Audit Completion Reports for Lincolnshire County Council and the Lincolnshire Pension Fund, as well as the Draft Auditor's Annual Report for 2022/23. A Mazars LLP representative will attend the Committee meeting to present these documents and answer any questions arising.

The Statement of Accounts 2022/23 and the Letter of Representation had not been signed at the time of writing this report but are expected to have been signed by the date of the Committee meeting.

Recommendation(s):

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

1. Background

- 1.1 The Statement of Accounts for 2022/23 was presented to this Committee on 19 June 2023 and an update on the audit of those accounts was reported to this Committee on 25 September 2023.
- 1.2 Since then, amendments have been made to the 2022/23 accounts to reflect changes in Pension Fund Asset valuations received after 31 March 2023, and an updated actuarial valuation for Lincolnshire's share of the Lincolnshire Pension Fund as well as a restatement of the Local Government Pension Scheme net liability in the Lincolnshire County Council accounts in compliance with International Financial Reporting Interpretations Committee (IFRIC) 14.

- 1.3 Mazars have issued two Audit Completion Reports for 2022/23. The Audit Completion Report for Lincolnshire County Council 2022/23 is attached at Appendix A. Section two shows that, although the audit is substantially complete, there are two audit areas outstanding, so this Audit Completion Report is potentially subject to change. We will present Members with a final Audit Completion Report 2022/23 for Lincolnshire County Council in due course, for completeness. The Value for Money commentary for 2022/23 is not included within the Audit Completion Report for Lincolnshire County Council 2022/23 at this stage, instead it is reported within the Draft Auditor's Annual Report 2022/23, which is attached at Appendix C.
- 1.4 The Audit Completion Report 2022/23 for the Lincolnshire Pension Fund is attached at Appendix B. Work on the pension fund is well progressed and section two of the report sets out the outstanding work to be completed before the opinion can be given. None of these areas are considered likely to result in material adjustment or change to the disclosures within the financial statements.
- 1.5 A representative from Mazars will attend this meeting to present the audit findings and answer any questions arising.
- 1.6 Once the external audit has fully completed, the audit opinions will be added to the Statement of Accounts 2022/23, and this will be published on the Council's website. A link to the publication will be sent to Members of this Committee.
- 1.7 There remains the outstanding matter of the audit of the Whole of Government Accounts for 2022/23, with Mazars awaiting further guidance on this from the National Audit Office. Once this work has been carried out, an Audit Certificate for 2022/23 will be issued and published on the Council's website.

2. Conclusion

- 2.1 The audit of the 2022/23 accounts is complete for the Lincolnshire Pension Fund and substantially complete for Lincolnshire County Council. Unqualified audit opinions have been issued. At the time of writing this report the final Statement of Accounts 2022/23 was awaiting sign off and will be published in due course. An Audit Certificate for 2022/23 will be issued once the outstanding audit of the Whole of Government Accounts 2022/23 has been concluded.

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 Lincolnshire County Council 2022/23
Appendix B	Audit Completion Report Lincolnshire Pension Fund 2022/23
Appendix C	Draft Auditor's Annual Report 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 .

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Audit Completion Report

Lincolnshire County Council– Year ended
31 March 2023

November 2023
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02	Status of the audit
03	Audit approach
04	Significant findings
05	Internal control recommendations
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[Appendix A: Draft management representation letter](#)

[Appendix B: Draft audit report](#)

[Appendix C: Independence](#)

[Appendix D: Other communications](#)

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



County Offices
Newland
Lincoln
Lincs
LN1 1YL

November 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on Mark.Surridge@mazars.co.uk.

Yours faithfully

Mark Surridge

Mazars LLP

Mazars LLP
2 Chamberlain Square,
Birmingham,
B3 3AX

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Net defined benefit liability valuation; and

Valuation of land and buildings, council dwellings and investment properties.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements, including unadjusted misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023.

At the time of preparing this report, there are significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B. This is subject to the work outstanding, identified in section 2 of this report.



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.

02




Section 02:


Status of the audit


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2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Net Pensions Liability		We are awaiting a response to our request for assurances from the Pension Fund Auditor which is due to be received mid-November 2023. The assurance letter from the auditor will require additional audit procedures and it could lead to uncertainties over the carrying value of the figures in the Council's financial statements. Until we receive the letter, we are unable to conclude on what, if any action, is required.
Evidence compilation and review procedures		We are working through residual queries and evidence relating to: <ul style="list-style-type: none"> • Valuation of land and buildings, including investment properties. • Extended testing on expenditure cut-off • Corrected financial statements
Completion procedures		Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03: **Audit approach**

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3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in July 2023. We have made changes to our audit approach since we presented our Audit Strategy Memorandum which are outlined below and relate to the use of our own expert to review land and building valuations.

Materiality

Our provisional materiality at the planning stage of the audit was set at £25.506m for the Council using a benchmark of 2% of gross expenditure at the cost of services level. Our final assessment of materiality used the same benchmarks and, based on the final financial statements and qualitative factors is:

Materiality Threshold	£'000
Overall Materiality	25,506
Performance Materiality	19,129
Trivial Threshold	765

We also applied a specific materiality of £10,000 to Senior Officer Remuneration (note 13b).

Reliance on internal audit

No reliance has been placed on internal audit for the 2022/23 financial audit. Enquiries have been undertaken to aid our understanding of the overarching control environment at the Council.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

Serco is the Council's provider of financial and other support services, including the processing of payroll, accounts payable and accounts receivable. No issues arose from our substantive testing of relevant balances.

Use of experts

Information below was disclosed within our Audit Strategy Memorandum and there have been no changes from our plan.

Item of account	Management's expert	Our expert
Property Plant and Equipment and Investment properties valuations	Kier Property Services Savills Hilco Valuation Services	We will, if necessary, engage our internal valuation team to review Management's expert's valuation of specific assets
Pensions	Hymans Robertson (Firefighters) Barnett Waddingham (LGPS)	PWC (Consulting actuary appointed by the NAO).
Financial instrument disclosures	Link Asset Management (LAM)	None

04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 14 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and

Significant risks

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Based on the work completed to date, no issues have been identified that need to be brought to the attention of Members.

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4. Significant findings

Pension schemes: Net defined benefit liability/asset valuation

Relevant Account Balances (2022/23 draft financial statements – Note 29):

- Local Government Pension Scheme - £54.231m (asset)
- Firefighter's Pension Scheme - £206m (liability)

Description of the risk

The defined benefit liability/asset relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses actuaries to provide an annual valuation in line with the requirements of IAS 19 Employee Benefits.

Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

How we addressed this risk

We addressed this risk by:

- critically assessing the competency, objectivity and independence of each actuary;
- liaising with the auditors of the Lincolnshire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office;
- agreeing the data in the IAS 19 valuation report provided by the Fund Actuaries for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements; and
- Considering the impact of IFRIC14 regarding pension fund surpluses.

Audit conclusion

Our work is ongoing in this area.

The Council has obtained revised actuarial valuation to ensure compliance with IFRIC14 and we have not received assurance required from the Pension Fund auditor, including potential issues over the carrying value of pension fund assets and liabilities once actual figures were known over the summer.

We will provide a verbal update on these matters at the Committee's meeting as well as formally concluded in a follow up letter.

4. Significant findings

Valuation of land and buildings and investment properties

Description of the risk

Land, Building and Investment Property assets are significant balances on the council's balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.

At the planning stage of the audit, this risk covers (figures have been taken from the draft 2022/23 financial statements):

- Land & Buildings (£608m -Note 15)
- Investment Properties (£115m –Note 17)

How we addressed this risk

We addressed this risk by:

- critically assessing each of the Council's valuation expert's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;
- critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and
- testing a sample of individual valuations, back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied.
- Engaged Mazars internal valuation expert to assess the estimations and judgements used in one complex valuation.

Audit conclusion

The majority of our work in this area is complete, but with some residual queries to clear before finalising our conclusion. Based on the work completed to date, there are no significant matters arising.

We will provide a verbal update on these matters at the Committee's meeting as well as formally concluded in a follow up letter.

4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

Significant matters discussed with management

In addition to the ongoing impact of the statutory override in accounting for infrastructure assets, during our audit we discussed the following significant matters to management:

The Council's financial position, including development of the medium-term financial plan

During the year, we have met with officers to discuss the Council's financial position and budget setting process and pressures to enable us to reflect on the Council's financial resilience and sustainability, and to conclude whether the going concern basis of accounting in the preparation of the financial statements is appropriate.

IAS19 Pension Surpluses

Each year employers within the Local Government Pension Scheme receive an actuarial accounting report prepared in accordance with *IAS19 Employee Benefits*. The report sets out the movement in the employers' interest in the LGPS assets and liabilities during the year, and their share of assets and liabilities at the year end. At 31 March 2023 some employers have, for the first time in many years, a net IAS19 pension asset (surplus). When an employer has a net pension liability, the liability is included in the financial statements in full. Where there is a surplus, there are circumstances under which the surplus is not recognised in full in the financial statements. Where bodies can access the economic benefit arising from the asset in terms of reduced contributions or a refund, they should recognise the net defined benefit as an asset. The net defined benefit asset recognised should be the surplus, adjusted for the effect of any asset ceiling.

We have discussed and considered the Council's accounting treatment for its share of the Local Government Pension Scheme, which led to revised actuarial valuations on the local government pension scheme and adjustments to the financial statements.

Impact of ISA315

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment

approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. This has involved enhanced risk identification and assessment; greater emphasis on understanding IT; and Increased focus on controls. We have needed to make additional enquires in these areas to enable us to meet these audit requirements.

Extended testing

During our work, we identified an error where invoices for capital works were coded to the wrong financial year. These were large sums meant we needed to perform additional testing to satisfy ourselves there was not a material impact on either the 2021/22 or the 2022/23 financial year. The Council performed its own review of how and why the error arose, concluding it to be a mistake and has already taken steps to improve year end arrangements for 2023/24. As a result, we judged it not necessary to raise a separate recommendation on this matter.

Expected credit losses

As per the prior year, the Council does not fully follow the accounting requirements to calculated Expected Credit Losses. We are satisfied the impact does not lead to a significant impact on the financial statements.

Registers of interest

At the time of performing our testing, seven Councillors had not returned their declarations of interest for the year. Whilst we recognise there are mitigations in place such as the requirement to declare any interests at each meeting, the Council should be aiming for a complete return each year.

Asset existence

In our testing of asset disposals, one item that was fully depreciated and therefore nil value was found to still be in use and therefore should not have been recorded as disposed of.

Heritage assets

The carrying value of Lincoln Castle in the financial statements is £25m. The Council capitalises expenditure on the asset as incurred. In 2022/23, this was £27k. We challenged management as to whether this should be depreciated. The Council includes a relevant disclosure in the financial statements that capital expenditure on enhancements have been recognised since records began and no reliable valuation can be obtained because of the nature of the asset. This method is consistent with the Code of Practice and the effect would be trivial.

4. Significant findings

Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

05

Section 05: **Internal control recommendations**

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Those Charged With Governance any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

No significant findings or recommendations in relation to internal controls have been noted as at the date of this memorandum.

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £765,000 for the Council. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Short-Term Payables – Other Creditors			3,651	
	Cr: CIES – Non-Pay expenditure		3,651		
Extrapolated error: We identified errors arising from differences between accruals and actual invoices posted after year end leading to a net overstatement of payables.					
2	DR: Non-Pay expenditure	4,518			
	CR: Short-Term Payables - Accruals				4,518
Extrapolated error: in our cut-off testing, we identified errors where items of expenditure recorded in 2023/24 should have been recorded in 2022/23.					
3	DR: Reserves			3,382	
	CR: Property, Plant & Equipment - Capital Additions				3,382
Factual error: In our testing of capital additions, we identified an invoice posted in 2022/23 for works up to the end of March 2022 and therefore ought to have been accrued as capital expenditure in the previous financial year.					
4	DR: Property, Plant & Equipment			1,135	
	CR: Short-Term Payables - Capital Accruals				1,135
Factual error: In our review of any unrecorded liabilities, we identified an invoice posted in 2023/24 for works up to the end of March 2023 and therefore ought to have been accrued as capital expenditure in the year.					
Total unadjusted misstatements		4,518	3,651	8,168	8,168

NB Items 3 and 4 are subject to finalisation as our review procedures on these items are ongoing.

6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	TBC on receipt of final set of financial statements.				
Total Adjusted misstatements					

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Through the work performed, we have also agreed changes to the financial statement disclosures, which are not individually or cumulatively material.

07

Section 07: **Value for Money**

7. Value for Money

Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks

Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report by December 2023.

Status of our work

Our work is substantially complete and, at the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we will continue to undertake work on the Council's arrangements up to the point of completion.

Our draft audit report at Appendix B outlines that we have completed our work in relation to the Council's arrangements.

As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in November 2023.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Mazars LLP
First floor,
Two Chamberlain Square,
Birmingham
B3 3AX

Dear Mark

Lincolnshire County Council - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Lincolnshire County Council (the Council) for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation, and other material;
- Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Head of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Appendix A: Draft management representation letter

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Head of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All knowledge of fraud or suspected fraud affecting the Council involving:
- management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed to you in accordance with the requirements of the Code and applicable law.

I have disclosed the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the potential risk of RAAC as well as the impact of Covid-19 on the Council's

Investment Properties. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements, and for which the Code and applicable law require adjustment or disclosure, have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Ukraine

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report fairly reflects that assessment.

Current banking crisis

We confirm that we have assessed the impact on Lincolnshire County Council of the on-going Global Banking challenges, in particular whether there is any impact on the council's ability to continue as a going concern, and on the post balance sheet events disclosures.

We confirm that our exposure where applicable (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

Appendix A: Draft management representation letter

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements and internal control recommendations

I confirm that the effects of the uncorrected misstatements and internal control recommendations set out at Appendix A are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Section 151 Officer

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Appendix B: Draft audit report (subject to finalization)

Independent auditor's report to the members of Lincolnshire County Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Lincolnshire County Council ("the Council") for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Lincolnshire Fire & Rescue Pension Fund statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

give a true and fair view of the financial position of the Council as at 31st March 2023 and of its expenditure and income for the year then ended; and

have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Deputy Chief Executive & Executive Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Deputy Chief Executive & Executive Director of Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Deputy Chief Executive & Executive Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Appendix B: Draft audit report

Responsibilities of the Deputy Chief Executive & Executive Director of Resources for the financial statements

As explained more fully in the Statement of Responsibilities, the Deputy Chief Executive & Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Deputy Chief Executive & Executive Director of Resources is also responsible for such internal control as the Deputy Chief Executive & Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Deputy Chief Executive & Executive Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Deputy Chief Executive & Executive Director of Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

We evaluated the Deputy Chief Executive & Executive Director of Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Deputy Chief Executive & Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Appendix B: Draft audit report

Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this respect.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Lincolnshire County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack for 2021/22 and 2022/23.

[Signature]

Mark Surridge, Key Audit Partner
For and on behalf of Mazars LLP

Address

[Insert date]

Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have been separately engaged by the Council to carry out additional work Assurance services as set out in the table opposite. Before agreeing to undertake any additional work, we consider whether there are any actual, potential or perceived threats to our independence.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Issue	Perceived threats	Safeguards
Assurance services – Teachers’ Pensions Return	Self-interest	Both assurance engagements follow per-determined procedures and the proposed fees for this work are significantly below the fee for the external audit.
Assurance services – Education and Skills Funding		

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going concern	<p>We have not identified any evidence to cause us to disagree with the s151 Officer that Lincolnshire County Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Those Charged With Governance, confirming that</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Mark Surridge

Mazars

2 Chamberlain Square

Birmingham

B3 3AX

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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Audit Completion Report

Lincolnshire Pension Fund – Year ended
31 March 2023

November 2023
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02	Status of the audit
03	Audit approach
04	Significant findings
05	Internal control recommendations
06	Summary of misstatements

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[Appendix A: Draft management representation letter](#)

[Appendix B: Draft audit report](#)

[Appendix C: Draft consistency report](#)

[Appendix D: Independence](#)

[Appendix E: Other communications](#)

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Pension Fund are prepared for the sole use of the Pension Fund and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Members of the Audit Committee
Lincolnshire County Council
County Offices
Newland, Lincoln
LN11YL

2 November 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 25 September 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 078 1375 2053.

Yours faithfully

Signed: 

Cameron Waddell (Key Audit Partner)

Mazars LLP

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls; and

Valuation of investments within level 3 of the fair value hierarchy.

Based on the audit work completed to date there are no identified significant control deficiencies and no unadjusted misstatements that we are required to report to the Audit Committee.

Status and audit opinion

Our audit in respect of the financial statements for the year ended 31 March 2023 is well progressed. At this present time we envisage giving our opinion alongside the opinion on Lincolnshire County Council's financial statements.

At the time of preparing this report, there are some matters outstanding as outlined in section 2. We will provide an update to you in relation to the matters outstanding through issuance of a follow up letter. Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Consistency report

We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of Lincolnshire County Council. Our draft consistency report is provided in Appendix C.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Fund and to consider any objection made to the accounts. No objections or questions from local electors have been received.

Executive summary

Status of audit

Audit approach

Significant findings

Internal control recommendations

Summary of misstatements




Appendices


02


Section 02: **Status of the audit**


2. Status of the audit

Our work is well progressed and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Testing of investment assets		We are completing our checks on the valuations the Fund has received from fund managers and the custodian.
Finalised financial statements		The Pension Fund has revised its financial statements to reflect the updated valuations it has received from fund managers. We are completing our checks on the updated financial statements before giving our opinion.
Audit Quality Control and Completion Procedures		Our audit work, including the specific procedures carried out in relation to the significant audit risks identified, is yet to undergo the final stages of review by the Key Audit Partner. In addition, there are residual procedures to complete, including completing our internal technical consultations on the proposed audit opinion and the updated financial statements, updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03: **Audit approach**

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3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in September 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

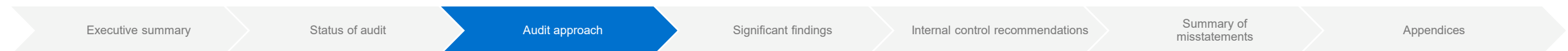
Materiality

Our provisional materiality at the planning stage of the audit was set at £30.5 million using a benchmark of 1% of net assets available to pay benefits. We set a provisional specific materiality for the fund account of £13.5 million at the planning stage of the audit using a benchmark of the higher of 10% of contributions receivable and 10% of benefits payable.

Our final assessment of materiality, based on the final financial statements and qualitative factors was set using the same benchmarks:

- Statement materiality £30.5 million.
- Fund account specific materiality £13.5 million.

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04

Section 04: **Significant findings**

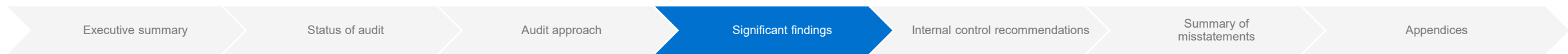
4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. We currently envisage concluding that the financial statements have been prepared in accordance with the financial reporting framework; and
- any significant difficulties we experienced during the audit.

Significant risks

Management	Description of the risk
override of controls	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: <ul style="list-style-type: none">• Accounting estimates impacting amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion Our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.



4. Significant findings

Valuation of investments within level 3 of the fair value hierarchy	Description of the risk
	<p>At 31 March 2023 the Pension Fund held investments which were not quoted on an active market with a fair value of £571.1 million, accounting for 18.8 per cent of the Fund's net investment assets. This included: the Private Markets portfolio (£455.3 million), Property (£41.2 million), Infrastructure (£68.5 million) and Private Equity (£6.1 million). Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p> <p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances for 2022/23 due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"> • agreeing the valuation included in the Pension Fund's underlying financial systems to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • agreeing holdings from fund manager reports to the custodian's report; • agreeing the investment manager valuation to audited accounts or other independent supporting documentation, where available; • reviewing the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required; • where audited accounts are available, checking that they are supported by a clear opinion; and

Valuation of investments within level 3 of the fair value hierarchy (cont'd)	How we addressed this risk (continued)
	<ul style="list-style-type: none"> • where available, reviewing independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.
	<p>Audit conclusion</p> <p>Our work in this area is ongoing. Work completed to -date has highlighted a non-material difference of £7.8 million between the valuation of investments in the initial set of accounts prepared and the final version of the accounts on which we will be giving our opinion. This difference resulted from the timing of valuations received from fund managers, these are proactively tracked by fund officers to ensure the final set of accounts reflect the most up to date information available. The adjusted misstatement involved is detailed on page 18 of this report.</p>

4. Significant findings

Qualitative aspects of the Trust's accounting practices

We have reviewed the Fund's accounting policies and disclosures and concluded they comply with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances.

In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2023.

Draft accounts were received from the Fund on 12 May 2023 and were of a good quality.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. It is however worth noting that our audit work has been completed through remote working arrangements. Whilst challenging at times, through the effective use of technology and close liaison with finance and other officers of the Fund these challenges were overcome.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such questions or objections have been raised.

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05

Section 05: **Internal control recommendations**

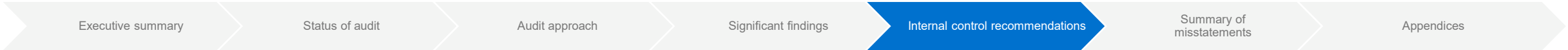
5. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported in this section are limited to those deficiencies and other control recommendations that we identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our work has not identified any internal control issues to bring to your attention.

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06

Section 06:

Summary of misstatements

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6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit to date, above the trivial threshold for adjustment of £0.9 million. Where the draft accounts are formally signed and published in accordance with the Regulations any subsequent amendments are referred to as misstatements. This is the case even if such amendments are inevitable and result from the timing of the information available from investment fund managers as is the case this year. The non-material change to the accounts detailed below was identified and proposed by officers from proactively tracking the asset changes from the information received. There are no unadjusted misstatements in relation to the Pension Fund's 2022/23 financial statements. The table below outlines the misstatements that have been adjusted by management.

Adjusted misstatements

	Fund Account		Net Assets Statement	
	Dr (£m)	Cr (£m)	Dr (£m)	Cr (£m)
1	Dr: Investments – Managed Funds Cr: Change in Market Value Difference between valuation of unquoted investments per pension fund accounts and third party confirmations received after the year-end.	7.896	7.896	
Total adjusted misstatements		7.896	7.896	

Disclosure amendments

A number of minor disclosure amendments regarding the wording used were made in response to the initial review of the Pension Fund's financial statements by our technical team. All such matters have been addressed in the updated version of the Pension Fund's financial statements, however further minor disclosure amendments regarding the wording used may be required in response to the final review of the Pension Fund's financial statements by our technical team. It is also worth noting that outstanding information regarding Additional Voluntary Contributions (AVCs) has now been made available, this information will be incorporated into the finalised financial statements.

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A: Draft management representation letter

B: Draft audit report

C: Draft consistency report

D: Independence

E: Other communications

Appendix A: Draft management representation letter

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

XX December 2023

Dear Cameron

Lincolnshire Pension Fund - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of the Lincolnshire Pension Fund ('the Pension Fund') for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Executive Director of Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material affect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and Committee meetings, have been made available to you.

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Appendix A: Draft management representation letter

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Pension Fund in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

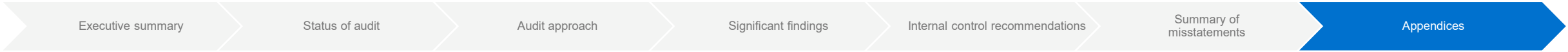
Fraud and error

I acknowledge my responsibility as Executive Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's statement of accounts communicated by employees, former employees, analysts, regulators or others.

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Appendix A: Draft management representation letter

Assets

• I confirm that all assets held are free from liens, charges or any other encumbrance.

Related party transactions

I confirm that all related party relationships, transactions and balances have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Pension Fund’s related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Specific representation on unquoted investments

Unquoted investments are included in the net assets statement at the value estimated by the general partner managing each fund in accordance with the guidelines used by the industry, and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, with the valuations, and am not aware of any subsequent events that would have a material impact on the estimated value of the unquoted investments.

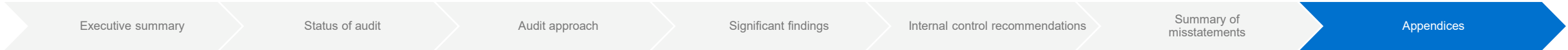
Unadjusted misstatements

I confirm that the effects of any uncorrected misstatements are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly

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Appendix A: Draft management representation letter

Impact of Russian Forces entering Ukraine

I confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Covid-19

I confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Pension Fund, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Brexit

I confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Banking crisis

I confirm that we have assessed the impact on the Pension Fund of the on-going Global Banking challenges, in particular whether there is any impact on the Pension Fund's ability to continue as a going concern, and on the post balance sheet events disclosures. In this regard we confirm that our exposure (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

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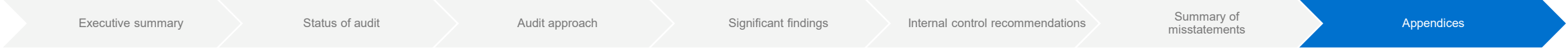
Going concern

To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts. I have updated our going concern assessment in light of the Covid-19 pandemic. I continue to believe that the Pension Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Pension Fund's needs. We believe that no further disclosures relating to the Pension Fund's ability to continue as a going concern need to be made in the financial statements.

Yours sincerely

Executive Director of Resources

Date.....



Appendix B: Draft audit report

Draft Independent auditor’s report to the members of Lincolnshire County Council Report on the audit of the financial statements

Opinion on the financial statements of the Lincolnshire Pension Fund

We have audited the financial statements of Lincolnshire Pension Fund (‘the Pension Fund’) for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of Lincolnshire Pension Fund during the year ended 31 March 2023, and the amount and disposition of the Pension Fund’s assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

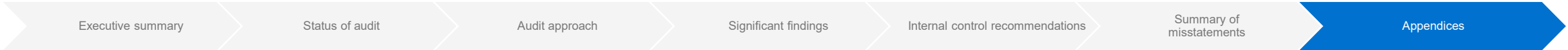
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Resources with respect to going concern are described in the relevant sections of this report.



Appendix B: Draft audit report

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. The Executive Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

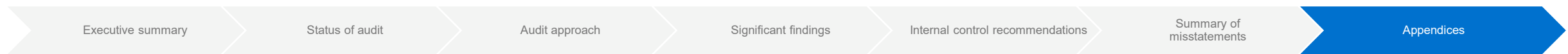
We have nothing to report in this regard.

Responsibilities of the Executive Director of Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund’s financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Executive Director of Resources is also responsible for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Executive Director of Resources is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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Appendix B: Draft audit report

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund’s financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

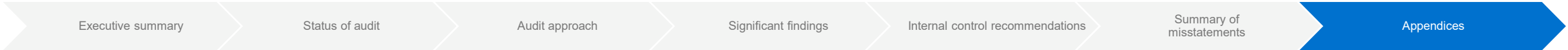
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to :

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- inquiring with management], as to whether the Pension Fund is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

We evaluated the Executive Director of Resources incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.



Appendix B: Draft audit report

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Executive Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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Appendix B: Draft audit report

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

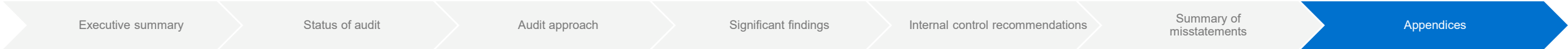
We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Lincolnshire County Council, as a body and as administering authority for the Lincolnshire Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Cameron Waddell
 for and on behalf of Mazars LLP
 The Corner
 Bank Chambers
 56 Mosley Street
 Newcastle upon Tyne
 NE20 9NE

XX December 2023



Appendix C: Draft consistency report

Independent auditor’s statement to the members of Lincolnshire County Council on the pension fund financial statements included within the Lincolnshire Pension Fund annual report

Report on the financial statements

Opinion

We have examined the Pension Fund financial statements for the year ended 31 March 2023 included within the Lincolnshire Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of Lincolnshire County Council for the year ended 31 March 2023 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Respective responsibilities of the Executive Director of Resources and the auditor

As explained more fully in the Statement of the Executive Director of Resources’ Responsibilities, the Executive Director of Resources is responsible for the preparation of the Pension Fund’s financial statements in accordance with applicable United Kingdom law.

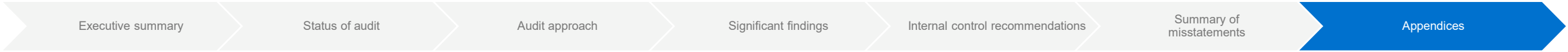
Our responsibility is to report to the Members of Lincolnshire County Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of Lincolnshire County Council. We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of Lincolnshire County Council describes the basis of our opinions on the financial statements.

Use of this auditor’s statement

This report is made solely to the members of Lincolnshire County Council, as a body and as administering authority for the Lincolnshire Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Lincolnshire County Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Lincolnshire County Council and Lincolnshire County Council’s members as a body, for our audit work, for this statement, or for the opinions we have formed.

Cameron Waddell
For and on behalf of Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF
XX December 2023







Appendix D: Independence



As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix E: Other communications

Other communication	Response
 <p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 <p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 <p>Related parties</p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
 <p>Going concern</p>	<p>We have not identified any evidence to cause us to disagree with the view of the Executive Director of Resources that the Lincolnshire Pension Fund will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix E: Other communications

Other communication	Response
 <p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
 <p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Cameron Waddell

Mazars

The Corner
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[Draft] Auditor's Annual Report

Lincolnshire County Council – year
ended 31 March 2023

November 2023
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[Appendix A: Further information on our audit of the financial statements](#)

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Lincolnshire County Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

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Opinion on the financial statements

Our audit report, to be issued by December 2023, is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2023.

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).



Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



Wider reporting responsibilities

At the date of reporting our work on the Council's Whole of Government Accounts return remains incomplete whilst we wait for instructions from the National Audit Office

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

At Appendix A, we have set out the main financial statement risks addressed in our audit – detailed findings were presented to the Audit Committee on 13 November 2023.

In the table below, we set out the main audit outcomes for 2022/23.

Audit Area	Outcomes
Financial Statements	<p>The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended.</p> <p>Our audit report, to be issued by December 2023, is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2023.</p>
Qualitative aspects of the Council's accounting practices	<p>We reviewed the Council's accounting policies and disclosures and concluded they complied with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.</p>
Internal Control Recommendations	<p>As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We did not identify any 'High – level 3' recommendations for 2022/23.</p>
Annual Governance Statement	<p>We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.</p>
Wider responsibilities	<p>Our powers and responsibilities under the 2014 Act are broad and include the ability to:</p> <ul style="list-style-type: none"> • issue a report in the public interest; • make statutory recommendations that must be considered and responded to publicly; • apply to the court for a declaration that an item of account is contrary to law; and • issue an advisory notice under schedule 8 of the 2014 Act. <p>We have not exercised any of these powers as part of our 2022/23 audit. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.</p>

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03

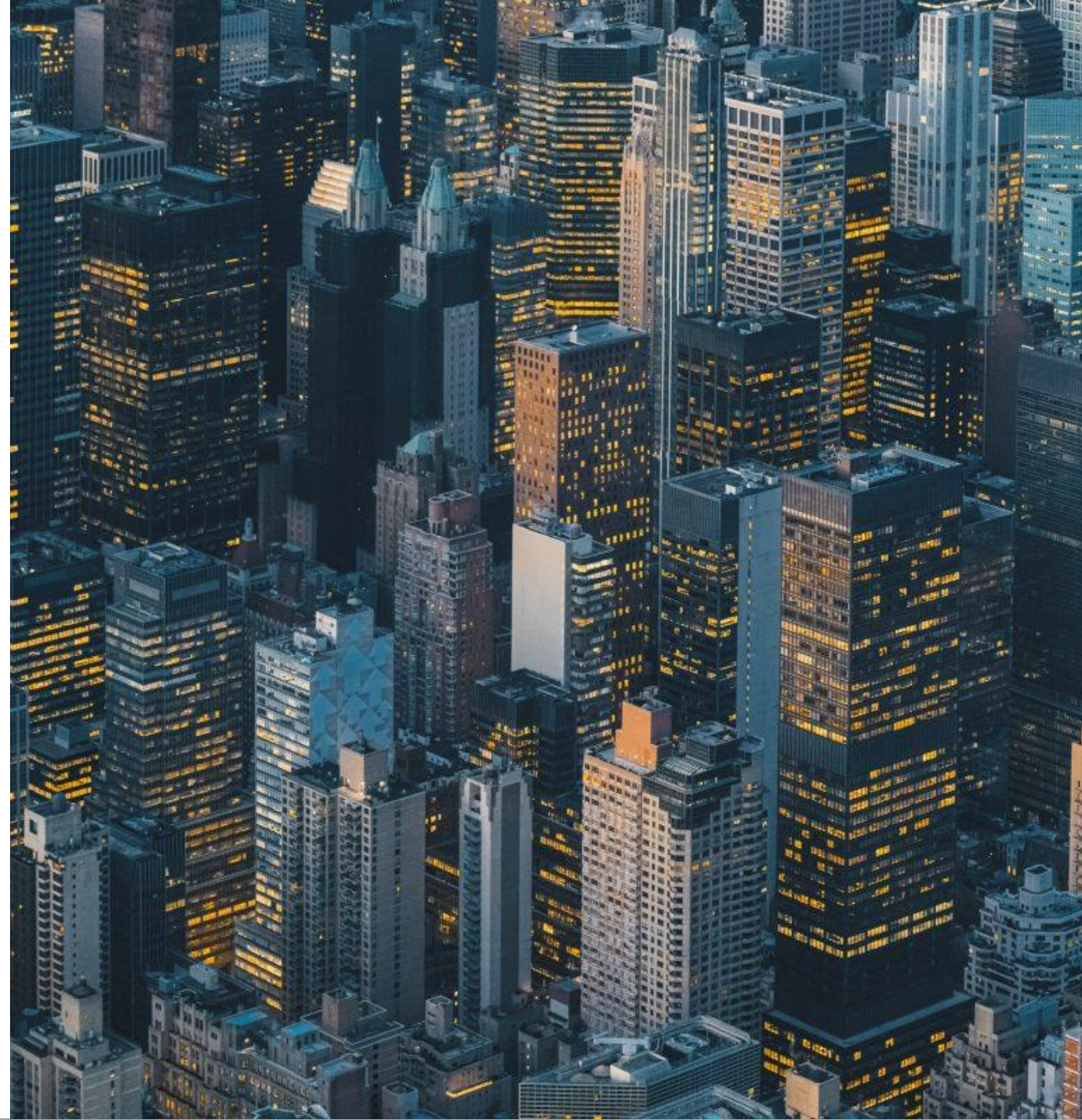
Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary

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3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services



Governance - How the Council ensures that it makes informed decisions and properly manages its risks



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the audit.


- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	16	No	No	No
 Improving economy, efficiency and effectiveness	19	No	No	No

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3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

We reported in our Annual Auditor’s Report for 2021/22, that we had;

- Reviewed the 2021/22 financial performance and forecasts during the year and considered the Council’s financial outturn position as presented in the financial statements;
- Reviewed the 2022/23;
 - Revenue and Capital budgets and Medium-Term Financial Plan;
 - Considered the Council’s latest financial monitoring information and its updated medium-term outlook.
- Updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports;
- Reviewed the Council’s Annual governance Statement for any significant issues; and
- Considered the general findings from our audit work in other areas.

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2021/22. The Council’s underlying arrangements in relation to financial sustainability are not significantly different in 2022/23.

Overall responsibilities for financial governance

We have reviewed the Council’s overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council’s service users.

The Council’s financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Council’s arrangements for budget monitoring remain appropriate, including quarterly reporting to Members and well-established arrangements for year-end financial reporting.

2022/23 Budget Setting and the Medium-Term Financial Strategy

We have read reports to Overview & Scrutiny Management Board, the Executive and Council covering budget setting for 2022/23 and the Medium-Term Financial Strategy. We also met regularly with Officers throughout the year.

In our view, the Budget Report for 2022/23 adequately explains revenue and capital budgets, with a sufficient link to specific business units, as well as an explanation on the impact to the general fund balance. There is no indication of excessive use of capital flexibilities to support revenue expenditure, nor has our work on the financial statements highlighted any concerns regarding the Council’s policy for setting the Minimum Revenue Provision.

We also reviewed Note 14 of the financial statements, setting out earmarked reserves, and in particular the Financial Volatility Reserve that was established to help the Council deal with the future uncertainties around Local Government funding. The Council did not use this reserve in 2022/23.

There is no indication that the Council’s Medium Term Financial Strategy and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

2022/23 Statement of Financial Position

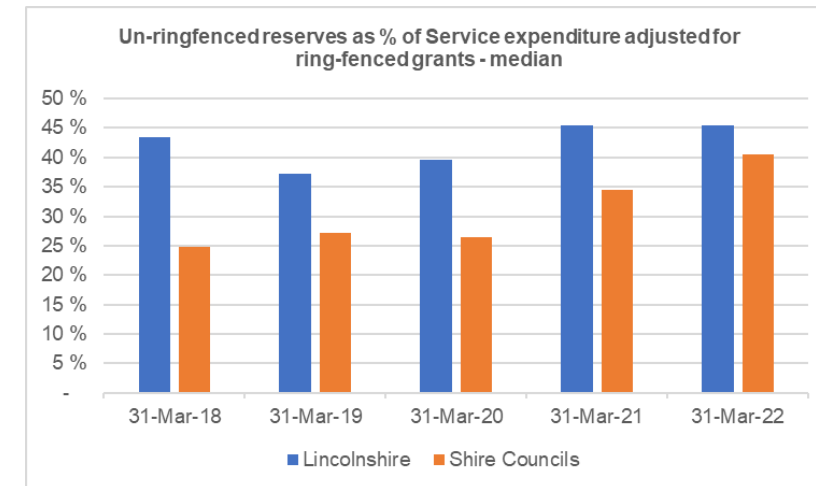
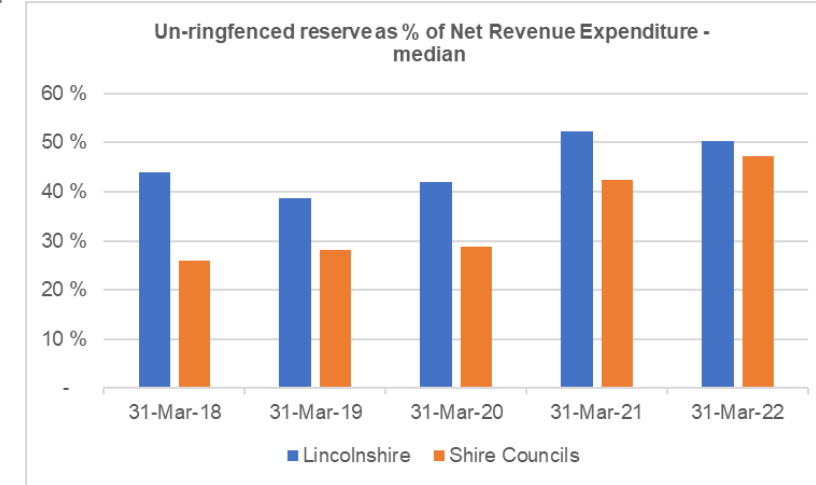
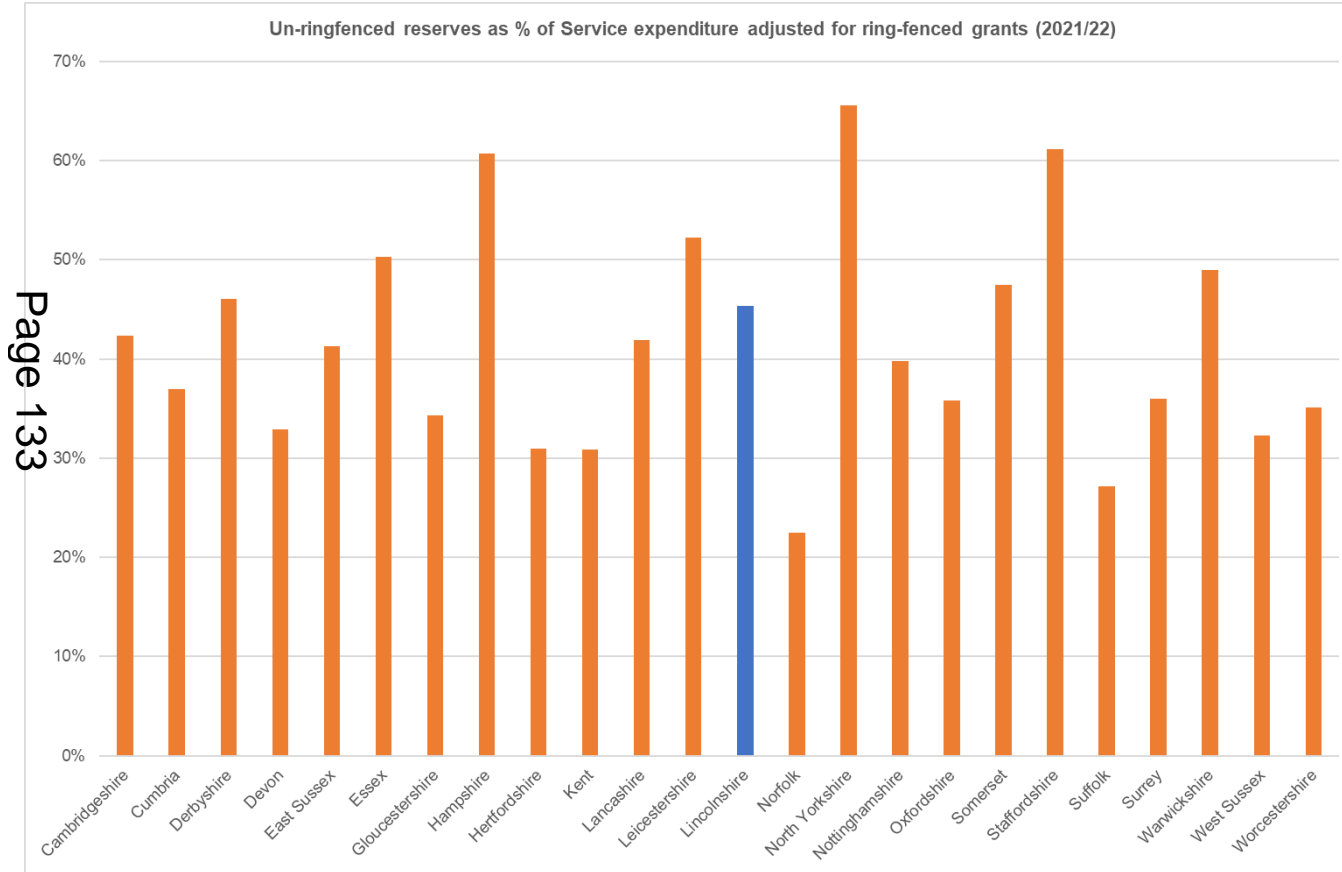
We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and the Balance Sheet, our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council’s financial sustainability.

VFM arrangements – Financial Sustainability

Financial sustainability and revenue reserves

We have also performed a more detailed review of the Council's revenue reserves. We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22.

The Council's reserves have generally been above the median since 2018, however the gap has reduced over time.



Details on the definitions and data quality arrangements are available here: <https://www.gov.uk/government/publications/local-authority-general-fund-earmarked-and-unallocated-reserve-levels-2017-18-to-2021-22>

VFM arrangements – Financial Sustainability

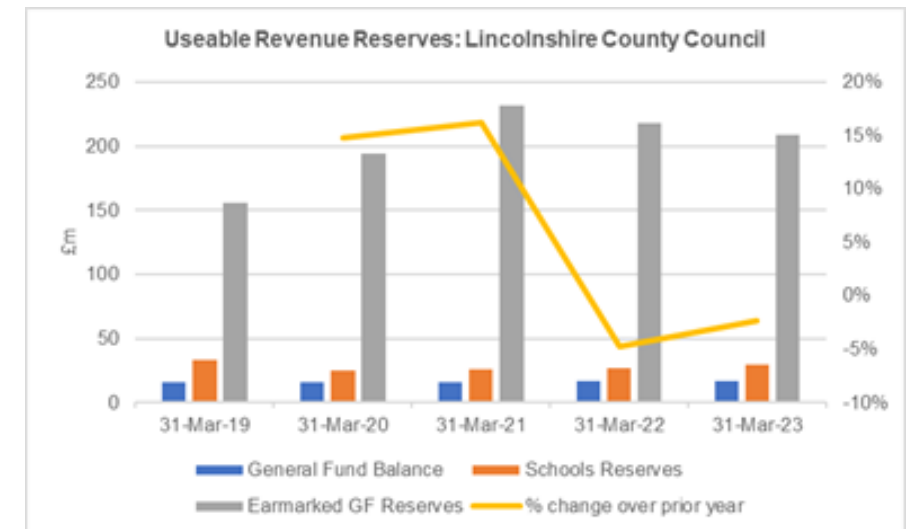
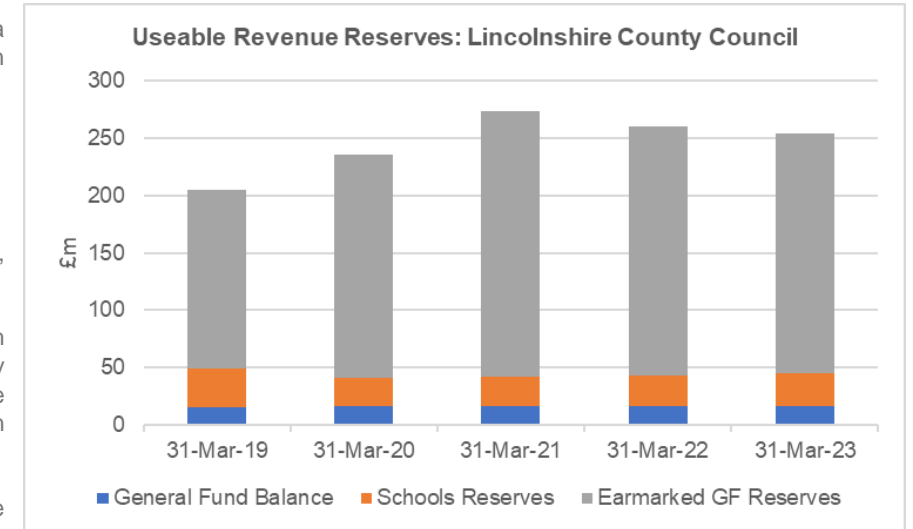
Financial sustainability and reserves (continued)

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves, including Schools Reserves are set aside for specific purposes.

Through a review of the financial statements, we have considered the Council's revenue reserves over time:

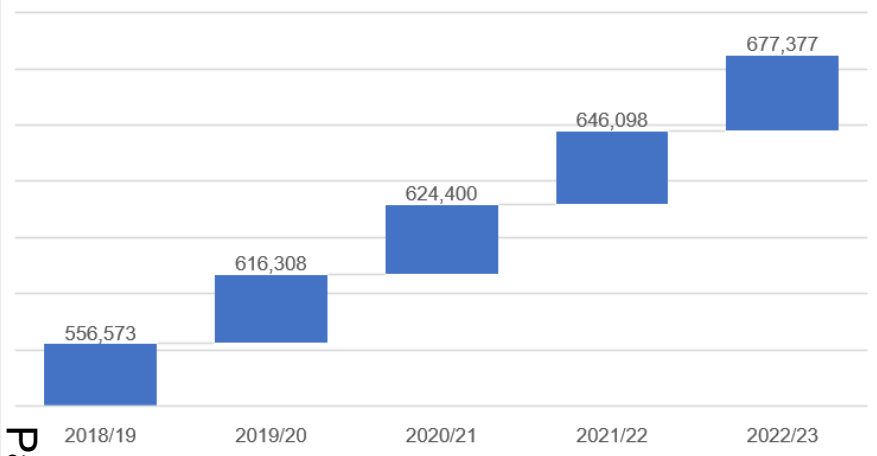
- As set out on the previous page, the Council's opening revenue reserves are above the median for county councils.
- Whilst reserves remain stable, they are finite and whilst the Council's revenue reserves increased by 15% in 2020 and 16% in 2021, they have reduced by -5% in 2022 and -2% in 2023.
- We have no concerns over the Council's current approach, but there are local authorities reliant on protecting revenue reserves through accounting adjustments eg funding transformation spend through capital receipts, minimising the minimum revenue provision to repay debt, applying the statutory override for movements in pooled investment funds. These will not provide a long-term solution and, where these have a significant effect, suggest Members are given clear and transparent information over the effect these measures have on medium term financial planning.

Overall, we are satisfied that the Council's Reserves position does not give rise to a risk of significant weakness in arrangements to secure financial sustainability.

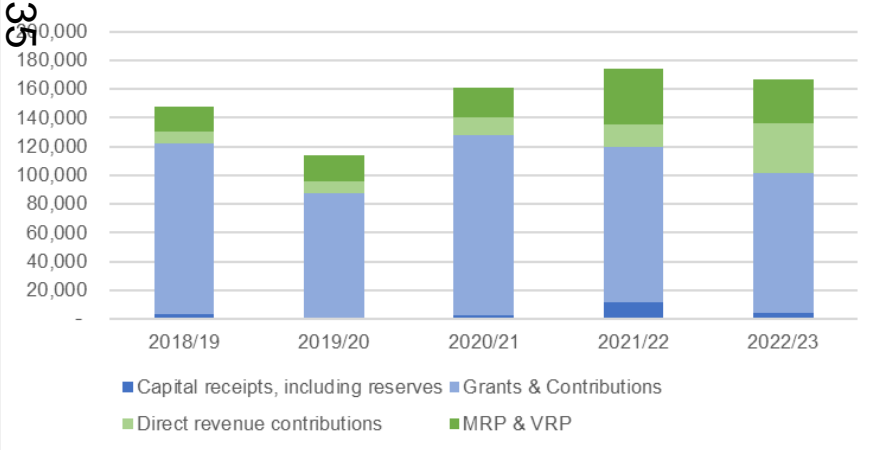


VFM arrangements – Financial Sustainability

Capital financing requirement
£'000



Sources of capital finance
£'000



The Council's capital expenditure and financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year, which we deem to be adequate.

We considered the Council's capital financing requirement as set out in Note 41 of the financial statements, which has risen from £556m in 2018/19 to £677m in 2022/23, each increase representing the underlying need to borrow to finance capital expenditure. We also considered the sources of capital finance in the capital programme, which shows over the past five years capital spend has been mainly financed through grants and contributions, for example in 2022/23:

- £4m from capital receipts
- £97m in grants and contributions
- £35m in direct revenue contributions; and
- £30m through the Minimum Revenue Provision (A minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities) and Voluntary Revenue Provision.

In 2022/23, the Council spent £158m on capital additions per

Note 15 of the financial statements and £39m of REFCUS (Revenue Expenditure Funded from Capital Under Statute). Our testing of these balances did not identify any material issues.

We are satisfied the council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2023.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks

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3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from the previous year.

The Authority’s governance structure

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

Our review of corporate governance arrangements confirms the Council has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people. Any recommendations for amendments to the Constitution need to be approved by Full Council.

Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

2023/24 Budget Setting and the Medium-Term Financial Strategy

The Council’s budget setting and medium-term financial planning follows a similar process and format to previous years and our review is supported by discussions with officers during the year and experience from prior year audits. The arrangements in place for budget setting and updating the Medium-Term Financial Strategy are as expected for a County Council, with arrangements for: consultation, scrutiny, evaluation of financial risk, alignment to directorate/business plans and sources of funding.

We reviewed the Council’s balanced budget for 2023/24 as set by Council in February 2023, which approved a 4.99% increase in Council Tax.

We read the assumptions underpinning the Medium Term Financial Strategy as included in reports to the Executive and Overview & Scrutiny Management Board. In our view, these include an adequate level of detail over the assumptions and cost pressures facing the council, which are consistent with our experience at similar sized authorities and therefore not unreasonable. In addition, there is sufficient narrative to explain the rationale and key financial risks.

Whilst the Council has identified significant cost pressures (£74m) and savings (£11m), the budget is balanced while only drawing £7m from reserves. Over the period to 2025/26, the Council estimates that earmarked reserves will fall from £162m to £100m. The Council’s reserves position does not indicate a risk of significant weakness in VFM arrangements for financial sustainability and provide some mitigation against future financial challenges and will assist in addressing future volatility and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long-term solution to funding gaps.

We also reviewed the budget monitoring report to September’s meeting of the Executive covering expenditure incurred in Quarter 1 of 2023/24. The report gives an overview of the financial position for revenue, supported by adequate detail available within the appendices, ultimately showing that the revenue budget is forecast to underspend by £1.3m (equivalent to 0.2% of the net budget).

Our work has not identified that the Council has significant levels of unidentified savings/funding gaps in financial planning that would substantially threaten the delivery of the plan; nor is there an indication of significant levels of unsustainable planned use of reserves to bridge funding gaps.

CIPFA Financial Management Code and Financial Resilience

We reviewed minutes and supporting papers presented to the July 2023 Audit Committee, including a progress review in implementing the requirements of the CIPFA Financial Management Code. We also reviewed an external assurance report that concluded the Council was meeting the CIPFA Financial Management Code and assurance standards, with any areas for development, in our view, inconsequential in terms of risk to the Council’s arrangements for governance and financial sustainability.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation.

The Audit Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Executive. We have attended meetings of the Committee and reviewed minutes and reports presented during the year, including matters relating to risk. From our attendance at meetings and review of the minutes, we are satisfied there is sufficient evidence of Member oversight of risk management, including holding Officers to account.

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. No significant weaknesses in internal control have been identified from our work to date and Internal Audit have not identified or raised any significant concerns. We reviewed the Annual Governance Statements as part of our work on the financial statements with no significant issues arising.

We reviewed the Council's annual Combined Assurance Status Report, also presented to Audit Committee, which involves discussion between Internal Audit and each Executive Director assessing information across: critical service delivery activities, key risks, key projects, key partnerships, providing an overall assurance level. We are satisfied that there is no indication of a significant weakness in arrangements for 2022/23

Audit Committee

The Council has an established Audit Committee. We have reviewed supporting documents and confirmed the Audit Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge.

Internal Audit

We have met with management and the Head of Internal Audit regularly during the year, reviewed Audit Committee reports and attended Audit Committee to observe the performance of Internal Audit and the Audit Committee. We have read the head of internal audit's report presented to June 2023 audit committee and are satisfied it does not highlight any significant weaknesses in arrangements

We also confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement. No issues arose from our review to indicate there is a significant weakness in the Council's arrangements for governance.

We read The Counter Fraud Annual Report presented to June 2023 Audit Committee, which provides an overview of the investigation and proactive counter fraud work completed in 2022/23. This summary provides information to enable the Committee to review performance and the effectiveness of the Council's arrangements. The progress reports submitted throughout the year and this annual report are the key sources of assurance for the Committee on the adequacy of Council's counter fraud activities. There is no indication of inadequate arrangements in place at the Council from reviewing the report and its findings.

Monitoring officer and Conduct

We have read and reviewed the MO Annual Report for 2022/23 as presented to the July 2023 Audit Committee, there are no matters arising that would indicate a significant weakness in arrangements relating to 2022/23

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Governance criteria for the year ended 31 March 2023.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements brought forward from the prior year.

Regulators

We reviewed regulatory reports, including OFSTED, where an inspection report issued in April 2023 confirmed Children's Services were "Outstanding".

Corporate Plan and Performance Monitoring

The Council's arrangements are consistent with the prior year, which were deemed adequate, with the Council's Corporate Plan setting out what it wants to achieve for local residents and communities and is published on its website. The Council's overall financial objectives and strategy are documented in the Council's budget and Medium-Term Financial Strategy which is reviewed and updated annually.

Our review of minutes and reports confirms the Executive and the Overview and Scrutiny Management Board receive regular reporting on the measures contained within the Council Business Plan. We reviewed the performance outcome for 2022/23 presented to the Executive as evidence of the Council's approach to evaluating performance. In our view, reports contain sufficient narrative, including the appendices, to demonstrate that there are adequate arrangements for scrutiny in assessing performance and identifying areas for improvement.

Partnerships and Commissioning

Through our work on the financial statements, our testing of expenditure, and consideration of key financial

controls, has not identified any issues relating to procurement.

Better Care Fund (BCF)

Note 33 of the Council's Financial Statements explains the Council is the host for pooled budgets relating to: Proactive Care, Specialties including Learning Disabilities, Integrated Community Equipment Service, and Child & Adolescent Mental Health Services; and is responsible for their financial administration. Outside this Better Care Fund is a stand-alone Section 75 Agreement for Sexual Health. Our testing of the financial statements has not identified any material issues over these disclosure notes.

PFI

As set out in Note 26 of the financial statements, in 2001, the Council entered into a 31-year PFI contract for the provision of seven separate schools across the County which is classified as a Service Concession Arrangement. The Council will need to begin planning for hand back at least 7 years before the end of the contract as well as start to consider implications of the obligations, including decarbonisation planning and net zero challenge, and the role of the Council in delivering those contracts.

No issues arose from our testing of the account balance and disclosures as part of our audit work.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2023.

04

Section 04:

Other reporting responsibilities and our fees

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4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. As at the date of writing, instructions have not yet been received.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 Actual fees	2022/23 fees*	2023/24
Planned fee in respect of our work under the Code of Audit Practice	£82,640	£99,863	<i>Published by 30 November</i>
Additional fees in respect of additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties; and major local audit requirements.	£13,940	N/A included in revised scale fee	N/A included in revised scale fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	£4,700	£4,700	N/A included in revised scale fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315)	-	£TBC**	
Additional fees in respect of additional testing undertaken on infrastructure assets	£11,750	N/A – one off cost	N/A – one off cost
Additional fees in respect of additional testing to take account of the triennial pension valuation	£6,500	N/A – one off cost	N/A – one off cost
Additional fees in respect of pension asset ceiling and revisions	-	£TBC**	N/A – one off cost
Additional fees in relation to extended testing on expenditure and accruals to mitigate extrapolation errors	-	£TBC**	N/A – one off cost
Additional fees in respect of the VFM Commentary	£14,000	£13,000	N/A included in revised scale fee
Sub-total: variations	£53,890	£TBC	-
Total fees	£133,530	£TBC	-

*These costs are subject to PSAA review and approval. The Council received **£42,601** of grant funding to meet rising audit costs.

**At the time of issuing this report, the additional fees for 2022/2023 have not been agreed with the Trust.

Fees for other work

In 2022/23, we were engaged to provide assurance related services on the Teachers' Pensions Return (fee £3,500) and Education & Skills Funding (£5,250).



Appendix

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Appendix A: Further information on our audit of the financial statements

Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>	<p>Significant risk: an area that, in our judgment, requires special audit consideration.</p>	<p>We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to test accounting journals.</p>	<p>TBC.</p> <p>At the date of writing, there are no significant matters to report.</p>
<p>Valuation of the net pension liability</p> <p>The defined benefit liability relating to the Local Government and Fire-Fighter's pension scheme represents significant balances on the Council's balance sheet and involves a high degree of estimation uncertainty. The Council uses two actuaries to provide an annual valuation of these liabilities in line with the requirements of accounting standards.</p>	<p>Significant risk</p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> critically assessing the competency, objectivity and independence of each actuary; liaising with the auditors of the Lincolnshire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the valuation is complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations, including comparing them to expected ranges using a consulting actuary; agreeing the data in the valuation report provided by the Fund Actuaries for accounting purposes to the financial statements; and considering whether the pension asset should be capped. 	<p>TBC.</p> <p>At the date of writing, there are no significant matters to report.</p>
<p>Valuation of land & buildings and investment properties</p> <p>Land, Building and Investment Property assets are significant balances on the Council's balance sheet and the valuation of these assets is complex and is subject to a number of management assumptions and judgements.</p>	<p>Significant risk</p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> considering whether the overall valuation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends; critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation are materially correct; and testing a sample of individual valuations back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied. 	<p>TBC.</p> <p>At the date of writing, there are no significant matters to report.</p>

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.



Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director of Resources

Report to:	Audit Committee
Date:	13 November 2023
Subject:	Draft Audit Committee Annual Report 2023

Summary:

The Audit Committee Annual Report is designed to inform the Council of the activities undertaken by the Committee in the calendar year 2023 and how it discharged its responsibilities.

Recommendation(s):

That the Committee:

1. Consider the content of the draft Audit Committee Annual Report noting the areas for review before the final version is shared.
2. Review the content with a view to initial approval for the document to be updated in advance of the final version being presented for approval in 2024, prior to submission to the full Council.

1. Background

- 1.1 The Audit Committee Annual Report is required under both the Committee's Terms of Reference and CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2022) to report on its performance and demonstrate how the Committee has discharged its responsibilities.

2. Conclusion

- 2.1 Good practice advocates the Audit Committee publishes an Annual Report, of which this is the draft. The final report will be presented to the Audit Committee in February 2024 for final approval before submission to full Council

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 Committee Annual Report 2023

5. Background Papers

The Constitution, specifically the Terms of Reference for the Audit Committee.

This report was written by Claire Goodenough, Head of Internal Audit & Risk Management who can be contacted via email : claire.goodenough@lincolnshire.gov.uk.

Audit Committee Annual Report

Calendar Year 2023

Draft Report

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Chairman's Forward

It is my pleasure to present this annual report for the Audit Committee for 2023 to Full Council.

This report highlights the work of the Committee over the calendar year as provided within the Committee's Terms of Reference and Scope of Work. It also includes a brief look into the year ahead on the Committee's areas of development.

The provision of independent assurance to the Council on its changing and evolving risk profile has, arguably, never been more important. At the core, audit committees play a vital role in supporting and maintaining a culture and environment to support the integrity of governance arrangements and the provision of information for decision making.

As Chair, I find that members of the Audit Committee have shown great interest and understanding of the committee's role and have asked many challenging questions. It is testament to the diligence of the committee that it embraces and adapts to change, with the committee initiating regular presentations by risk owners.

At time of uncertainty, transparency can be of heightened importance, so I hope this annual report from the Audit Committee on its work and how it has met its Terms of Reference during 2023, is useful assurance for the Council.

I would like to thank the officers, external auditors, executive members, professional advisors and of course, members of the Audit Committee for their input and support for the work of the Committee. It has been a busy year where we have continued to provide a robust and independent challenge to the processes, structures and arrangements surrounding the Council's audit, assurance, risk management, financial control and governance framework.

I look forward to future meetings of the Committee and to working with the Committee members and the officers who provide support to ensure the continuation of independent assurance on the Council's control environment and governance framework.

Cllr Sue Rawlins
Chairman of the Audit Committee
February 2025

Role of the Audit Committee

The Audit Committee is a key component of Lincolnshire County Council's corporate governance.

The purpose of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the internal control environment. It provides independent review of Lincolnshire County Council's governance, risk management and control frameworks and considers the adequacy of the financial and governance reporting. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The functions covered by the Audit Committee are:

- Independent and high-level focus on the governance, risk and control frameworks.
- Independent review and high-level focus on audit, assurance and reporting arrangements that underpin good governance and financial standards.
- Promote high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Councillors and co-opted Members (including persons acting in a similar capacity).
- Oversight of internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Details on the specific functions of the Audit Committee can be found in the Council's Constitution published along with agendas, minutes and supporting papers.

[Agenda for Constitution on Friday, 9th December 2022 \(moderngov.co.uk\)](https://www.moderngov.co.uk/2022/12/09/agenda-for-constitution-on-friday-9th-december-2022)

To help the Committee meet its responsibilities each year, management provide training sessions for the Committee on subject areas within their remit. During 2023, these have included risk management training, financial training and horizon scanning.

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role but also the engagement with officers and those charged with governance.

Meetings and Membership

During 2023, the Audit Committee met on six occasions and comprised of six Councilors and two independent Members with each meeting being well attended. Membership of the committee has been stable throughout the year. There are currently no vacancies on the committee.

Audit Composition & Attendance

Member	Feb-23	Mar-23	Jun-23	Jul-23	Sep-23	Nov-23	%Attendance
Cllr S Rawlins - Chair	✓	✓	✓	✓	✓	✓	100%
Cllr M Allan - Vice Chair	✓	✓	✓	✓	✓	✓	100%
Cllr S Bunny	✓	✓	✓	✓	✓	✓	100%
Cllr A Stokes	✓	✓	✓	x	✓	✓	83%
Cllr P Coupland	✓	✓	✓	✓	✓	✓	100%
Cllr P Skinner	✓	✓	✓	x	✓	✓	83%
Cllr J King	x	x	✓	x	x	✓	33%
Mr I Haldenby	x	✓	x	✓	✓	✓	67%
Mr A Middleton	✓	✓	✓	✓	✓	✓	100%

The Audit Committee meetings were also routinely attended by the following officers and external parties:

Deputy Chief Executive and Executive Director: Resources; Assistant Director: Finance; Strategic Finance Lead: Technical; Head of Internal Audit & Risk Management; Team Leader: Risk & Insurance; Principal Risk Officer; Democratic Service Officers and External Auditors.

How the Committee Discharged its Responsibilities During 2023

Key Committee Activities	Feb-23	Mar-23	Jun-23	Jul-23	Sep-23	Nov-23
Governance, Risk & Control						
Receive and approve draft Annual Governance Statement 2022/23			✓			
Receive and approve the Information Assurance Annual Report 2022/23			✓			
Receive and approve the Final Annual Governance Statement 2022/23					✓	
Receive the 2022/23 Monitoring Officer Report				✓		
Review and approve the draft 2023 Audit Committee Annual Report						✓
Review and approve the final 2023 Audit Committee Annual Report	✓					
Receive Risk Management Progress Report		✓			✓	
Receive Strategic Risk in Market Supply for Adult Social Care					✓	
Receive a Combined Assurance Report from all Directorates	✓					
Receive an update on horizon scanning						✓
Internal Audit						
Receive and approve the Internal Audit Plan for 2023/2024				✓		
Review the Internal Audit Annual Report (including opinion) for 2022/23			✓			
Review Internal Audit Progress Report		✓		✓		
Counter Fraud Assurance						
Receive and approve the Counter Fraud Annual Report			✓			
Receive the Counter Fraud Risk Register		✓				
Receive Counter Fraud Progress Report						✓
Review and approve Counter Fraud Annual Work Plan for 2023/24				✓		
Financial Reporting & External Audit						
Receive the 2022/23 Draft Statement of Accounts			✓			
Receive the CIPFA Financial Management Code and Financial Resilience Report				✓		
Receive an update on the 2020/21, 2021/22 & 2022/23 Draft Statement of Accounts		✓			✓	
Receive an update on external audit strategy for 2022/23					✓	
Receive and approve the Accounting Policies to be applied to 2022/23 Statutory Accounts		✓				

Governance, Risk and Control

The Audit Committee oversaw the production of the Council's Annual Governance Statement (AGS) and received updates regarding progress. As part of the production of the 2022/2023 AGS, the Committee reviewed and approved the draft statement at the June 2023 meeting. The Committee reviewed the final AGS in September 2023. The Committee also reviewed and approved both the Monitoring Officer Report and the Information Assurance Report, which form part of the AGS.

The final Annual Report for 2022 was approved during the year and presented to the Full Council. Risk reports were scrutinized along with the strategic risk register at different points in the year. A Combined Assurance Report was presented, and the Audit Committee scrutinized the level of assurance provided through work of directorates and had the opportunity to question Executive Directors directly on areas of their assurance mechanisms. Following a risk management update, the strategic risk covering market supply in Adult Services was selected by the committee for further understanding. The Executive Director for Adult Care & Community Wellbeing (ACCW) presented a risk focused report and responded to specific points raised within the Committee.

Internal Audit & Counter Fraud

Throughout the year the Committee received progress reports on delivery of the approved annual plan along with the Audit Annual Report, which included the Head of Internal Audit's annual opinion. The opinion, provided in June 2023, awarded 'performing well' assurance for governance, risk and financial control. Internal control was awarded a 'performing adequately' assurance. The committee received and reviewed progress reports against the Internal Audit Plan which highlighted the objectives of each audit assignment, the number of findings and graded recommendations along with areas of good practice. This enabled the committee to seek further assurance where needed.

The Committee received and considered reports outlining the work delivered through the counter fraud team including details of the plan agreed for the year 2023/2024 and an overview of fraud risks the council faces.

External Audit & Financial Reporting

There have been ongoing delays with the finalisation of the Statutory Accounts for 2020/21, 2021/22 and 2022/23. The Committee has received regular updates from the Assistant Director: Finance on progress which set out the rationale for the delay in publication. In September 2023, the external auditors provided an anticipated revised date as the end of December 2023. The Committee questioned the external auditors on numerous aspects associated with this unprecedented situation to fully understand the risks and any potential resultant impacts. The committee gained a good understanding of the delays and the national picture on infrastructure asset reporting. Subject to the issues being resolved, it was anticipated that an unqualified external audit opinion would be received.

The Committee received further information on work undertaken internally and externally relating to the CIPFA Code of Financial Management and how the external assessment performed in comparison to the internal self-assessment. The Committee probed both areas to ascertain any risks within the few areas for further development.

Development Areas for 2024

The Committee have supported a few developments future meetings. They include increased frequency of strategic risk reporting, further in-depth reporting on internal audit activity, and provision of a more detailed focus on the counter fraud delivery and impact. Report template changes have been implemented to provide the committee with further quality oversight and delivery information to help inform the effectiveness of the assurance framework.

The Committee has also considered possible topics and training areas for 2024. Considered items include, financial resilience, risk appetite and tolerance training and understanding assurance points noted from Section 114 notices.

Conclusion

The Audit Committee is pleased to present its 2023 Annual Report to the Council. It is hoped that the report gives sufficient detail on its performance throughout the year and demonstrates that the Audit Committee has discharged its responsibilities as set out in the Terms of Reference. The Committee looks forward to developing its arrangements in line with good practice guidance and in assuring and supporting the Executive as 2024 progresses.



Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director of Resources

Report to:	Audit Committee
Date:	13 November 2023
Subject:	Horizon Scanning: Trends, Risks and Issues

Summary:

This report is to raise awareness of emerging trends, risks and opportunities facing local authorities across the country. It is not a comprehensive list of risks and threats facing Lincolnshire County Council but emerging trends and patterns seen across other public sector bodies.

Recommendation(s):

That the Committee:

1. Consider the content of the report, noting contents for areas for advice and guidance when delivering their duties for adequacy of assurance measures across the Council.

1. Background

1.1 The purpose of this paper is to provide the committee with trends, patterns and areas of risk from across the public sector.

2. Conclusion

2.1 The Council's risk management process continues to support awareness, mitigations and formation of risk management across all council services and directorates.

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	Horizon Scanning: Trends, Risks and Issues

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 Claire Goodenough, Head of Internal Audit & Risk Management. She can be contacted via email: claire.goodenough@lincolnshire.gov.uk.

Horizon Scanning : Trends, Risks and Issues.

October 2023

An overview of potential
threats to local authorities

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Introduction & Background

County Councils have encountered a multitude of challenges and transformations that have significantly shaped operations and responsibilities over the last decade. These have included economic fluctuations and budget constraints along with evolving societal needs and technological advancements. Lincolnshire County Council has been at the forefront of addressing complex issues and adapting to changing circumstances. This period has witnessed a range of significant events, including the aftermath of a global financial crisis, the impact of austerity measures, the rise of digitisation, a global pandemic and subsequent national lockdown as well as the increasing demand for sustainable and inclusive communities. As a result of these, Lincolnshire County Council has been compelled to navigate a dynamic landscape, seeking innovative solutions to deliver essential service, foster economic growth, promote social wellbeing, and continue to engage effectively with our communities.

Some would suggest times cannot get more challenging, but as often is the case, emerging risks and threats surround us as we strive to continue our delivery of quality services.

The purpose of this report is to raise awareness of emerging trends, risks and opportunities facing local authorities across the country. It is not a comprehensive list of risks and threats facing Lincolnshire County Council. Lincolnshire County Council have some effective strategies and controls in place to resist numerous threats, and the assurance, governance and internal and financial control frameworks have significant strength within them.

Being aware of pressures and themes impacting upon other public bodies and local authorities can improve our approach to assurance and the reliability that the Audit Committee considers.

Annually the Institute of Internal Auditors (IIA) produces a risk focus report for the coming year. The report for 2024 asked Chief Audit Executives (Heads of Audit) what they believed were the top five risks facing their organisations. The top risks referenced in the report are:

1. Cyber security and data security
2. Human capital, diversity, talent management and retention
3. Changes in law and regulations
4. Macro economy and geopolitical uncertainty
5. Digital disruption, new technology and artificial intelligence.

Annually Mazars produce a risk horizon scanning document which focuses on public services and the intelligence they gain through their work with public sector organisations.

This report covers aspects within both reports to raise awareness of trends, emerging areas for focus and aims to provide prompts for the committee when considering the reliability and adequacy of reported assurances.

Economic Challenges

When considering economic challenges, the reality is often that multiple economic risks impact on other risks not identified as having dependency on financial risks. Where recent Section 114 notices have been issued, the narrative covers gaps in financial budgets, reserves and financial delivery. When considering the published reports alongside public governance actions, there is often an untold narrative where unforeseen circumstances, poor governance decisions or inadequately managed or considered risks develop with the added impacts from economic challenges.

Currently we are delivering our services within two ongoing economic situations, the cost of living and the cost of energy. Both continue to impact upon the cost of borrowing, the stability and availability of contractors and suppliers, and the ability to deliver services at a time of increased demand. These may not be identified as being impacted by financial aspects, however ensuring the impactors and root causes of risks are known and considered through the assurance work of the Committee, will add value to the application of directorate assessment and give assurance to the reliability of mitigations.

Research has identified the main areas for financial risks for assurance activity as:

Budgetary pressures: Having seen several high-profile failures and S114 notices continuing to be issued nationally, a time of financial difficulty is anticipated across many councils for several years. Areas for key consideration over the coming years include budget planning, level of reserves and achievement of planned savings as increased assurance would be expected. Local authorities are frequently meeting increasing demand using the same resource by looking at innovative methods of delivery. Whilst opportunistic it may add pressure to the sustainability when this model is applied.

Contractors and suppliers: As a Council we have a reliance upon contractors to deliver a large proportion of our key services. In times of economic instability, the risk of supplier failure increases and councils may require greater reliance upon the assurance that robust quality contract management activities are being undertaken.

Capital programmes: The reality of capital programme delivery may be impacted by rising costs, contractor financial viability and having access to affordable financing at appropriate levels.

Workforce Crisis

Numerous organisations have identified workforce aspects as significant risks which became more explicit following the Covid pandemic. This has been referred to as a 'recruitment crisis' by the Local Government Association (LGA). The Institute of Internal Auditors (IIA) lists talent management and retention as their second biggest institutional risk. The national press refer to the '2021 Great Resignation' which data supports as still ongoing three years later.

Each of the risks associated with human resources can have roots back to the economic challenges experienced by individuals. The pandemic saw a reassessment of employee priorities with some reprioritisation making quality of life, work life balance and working conditions as the focus for their employment decisions.

The main risks facing councils that relate to the workforce crisis include:

Recruitment: There are some areas where recruitment in County Councils is working well, however in 2023 the LGA shared that 74% of councils reported difficulties in recruiting the right calibre of staff. Recruitment techniques remain a source of discussion in how to attract people who want to work in local authority. New job hunters may not see the appeal that previous seekers have found when considering a career in a local authority.

Retention: Keeping the right people in the organisation to be able to deliver the increasing demands is a risk area. The use of monetary incentives has increased across the public sector, along with the expectation of flexible working to support the priorities of work life balance and quality of surrounding, both of which have increased since the pandemic. Effective performance management is key to retaining the right calibre of staff across councils and ineffective performance management can impact upon effective employee's morale and their retention rates. Competing with private sector salaries has been a consideration for the public sector for some time, however national figures show a larger proportion of local authority leavers are moving to other local authority employment rather than private sector.

Succession: The UK has seen a dramatic increase in resignations since 2020, which may be linked to employee's self-priority changes. Workforce demographics show that less than 5% of the council's workforce tends to be under 25 and more than 70% tend to be over 40. This could be developing a longer-term risk for succession planning. Effective and active succession planning as a mitigation now could reduce the risk of losing corporate knowledge.

Interims: The use of temporary appointments is not a new concept for Councils, especially at senior level, however national data shows there has been a steady increase in the use of interim or agency staff over the longer term. Interim roles bring specific skill to a project or cover for short term skill shortage, these have a lower risk impact than interim roles which exceed 12 months. Long term solutions bring additional financial burdens, due to increased costs, and sustainability risks arising from a lack of affordable or available candidates seeking permanent roles. Assurance for the effectivity of delivery and future-proofing skills is an area where assurance can be overlooked.

Technology, Digital and Cyber

Local Authorities are embarking upon a significant digitalisation transformation as it can deliver improved efficiencies as well as resource savings. This type of work may introduce risks that Councils may not be used to managing.

Digital transformation: Research shows that 82% of public sector leadership intend to increase their spend in maintaining and evolving IT systems, despite facing cost pressures. It is seen that IT is integral to delivering organisational strategy and/or driving efficiencies. IT tends to be an area of specialist language and supports the perception of unique skills and knowledge. Risks that require assurance when embarking upon digital transformation include:

Strategy alignment: The organisational strategy, vision and goals need to be established with how technology adoption will compliment this.

Executive level technology capability: Sufficient technology capability should be readily available to the decision makers to successfully execute digital strategy. IT executive

inclusion in the strategic and organisational architecture can support delivering the digital operating model. There is a shortage of employed IT specialists within the market resulting in council's being increasingly reliant upon interim roles which require additional financial resources.

Key processes & programme management: Clear definition of 'as-is' and 'to-be' business processes help to provide assurance to the delivery of core activities, both now and in the future. The programmes should support end to end IT management to provide assurance that technology is deployed in line with the objectives and requirements within the established framework, and that the end user can successfully adopt the changes with minimal impact.

Technology governance and business value: The underpinning by governance and standards in the technology strategy will be a source of assurance for delivery aims and architecture. Understanding the deployment, core operational implications, procurement strategy, current staff capability, with any skills and training needed, and scaling opportunities are areas that require evidence based assurances. Understanding and reporting key measures for success and tracking progress aids monitoring throughout the lifetime of the transformation.

Cloud adoption: Councils are adopting the public cloud infrastructure, platforms and applications. It is often perceived that concerns over risks relating to data privacy, security and resilience have been addressed by the provider. Whilst this is usually the reality; it remains essential to have considered the architecture's (model that defines the service design) sufficiency. Insufficient available capacity may impact upon outage and inappropriate configuration may introduce risks around security and controls.

Cyber security: As we know, cyber threats are present all around us bringing new attacks, data leaks and costs on a regular basis. Cyber security is recognised as a major preoccupation amongst leaders. It remains at the top of the IIA's Risk in Focus publication.

Ransomware: This is one of the biggest cyber threats to the UK. They come with significant financial and reputational costs beyond the ransom itself, with many stopping critical business services for days or even weeks. Local authorities and public sector organisations have suffered multiple high-profile attacks which are usually reported nationally. As a result, it is critical to have adequate and reliable assurance against cyber security best practice for the protection, detection and responses to ransomware attacks. Having an understanding of the mitigation provided with a particular focus on impact reduction along with assurances to inform the current risk profile is important.

Security culture and awareness training: The recognition that the culture (*the values and beliefs that underpin the norms of expected behaviour*) needs to align with the approach to awareness training may support the reliability of assurance provided. Whilst culture is harder to have assurances against, understanding proactive work and future action areas can provide a level of assurance.

Sustainability

The public has increased awareness of the environmental, social and governance (ESG) agenda. Since 2020 the country has experienced record high temperatures, drought-like

conditions and ‘unprecedented’ flooding. Climate change is no longer viewed as a problem of the future, but one impacting upon communities now. The government has set targets relating to climate change in the form of net zero carbon emissions in the UK by 2050. The Energy white paper (December 2020) sets the scene for risk and opportunities in responding to climate change. In 2023 the Climate Change Committee identified 61 climate risks. It was viewed that 34 of these required firmer action by government over the subsequent five years.

Key areas where climate change and the sustainability agenda are recognised at having potential impact upon local communities.

Flooding: Projections show that a two degree rise in temperature could increase flooding across non-residential properties by 27% by 2050 and 40% by 2080.

High temperature: The global rise in temperatures has highlighted the ability of organisations to deal with extreme heat. It is estimated that heat related deaths could triple by 2050. Employee welfare is a rising concern and local authorities may come under pressure to ensure they have adequate infrastructure to support their employees.

Energy: The recent war in the Ukraine has reinforced the volatility of energy prices. The government already had plans for addressing the expected shortfall in electrical supply and demand and support development through renewable initiatives.

Net zero: Local authorities can be pivotal in delivering local net zero efficiency. To do this well an understanding of the steps needed in achieving net zero requirements is required.

Fraud

Fraud costs local authorities significant sums of money each year and given the financial challenges in place, engagement with the National Fraud Initiative plays a key role in informing mitigative action. However, as the nature of fraud change this means the risks to councils change too. Keeping abreast of developments and how they may impact is essential.

Introduction of the Public Sector Fraud Authority (PSFA): In August 2022 the PSFA was launched with the aim to ‘hunt down fraud committed against the public purse’. Councils are not bound by the mandated action contained within their standard (yet) but engagement with their principles and shared practices, are an effective assurance source against agreed public sector standards.

Long standing prevalence: Existing risk areas for fraud against councils have long been recognised. Over time other frauds have been introduced yet existing fraud areas have not diminished or abated. The areas for a County Council include:

Procurement, blue badge, social care, insurance claims, internal fraud committed by staff (e.g., expenses, overtime). It is recognised that during times of financial pressure, individuals may take fraud opportunities they would not ordinarily consider. As services face increasing pressure from demand and staff capacity, there can be an unintended lessening of control systems. The pace, quality and knowledge of what counter fraud staff deliver is key in the provision of assurance in this area.

Developing frauds: Since the covid pandemic agile working has been introduced by numerous councils. There has been an increase in the number of local authority staff being

dismissed for carrying out more than one job. Whilst it is not illegal to have more than one job or employer at the same time, consideration for our employment contracts, agency contracts, HR policies and recruitment methods must align with our expectations at each employment tier.

Projects and programmes

The delivery of public sector projects has frequently been critiqued publicly. In times of economic challenge, the introduction of technology driven change is appealing. There have been huge advances in the amount of technology changes available and the array of uses for artificial intelligence (AI) can be seen to create efficiency and cost savings (e.g. data analysis and demand mapping). As a provider of services, there are additional aspects that require consideration over just financial savings and efficiency. Risks that are often associated with technology driven changes include:

Lack of skills, depth of understanding, experience/understanding of technology applications, and ineffective or incomplete technology road mapping. Being cognisant of the potential impact upon business-as-usual activities and how unsuccessful technology deployment impacts engagement or manual controls, are often overlooked at the planning, oversight and delivery points in projects. The application of change management should be part of the assurance provided to increase the likelihood of successful delivery.

Capital projects and programmes: Capital projects have always faced risks from regulation changes, market conditions and project interruptions. In the current market, the likelihood of market conditions and economic factors increase and create risks such as inflation risks leading to higher project costs, interest rate increases may impact upon borrowing rates, supply risks through materials theft, resource shortages and contract operational issues. Delivering effective contract visibility and oversight ownership and reporting can provide greater assurance to all areas of risk.

Capital contracts which are reliant upon third party arrangements usually have greater susceptibility to cost controls, project impacts, coordinating changes and monitoring progress through accurate reporting and forecasting.

Conclusion

In conclusion the report provides risk patterns emerging from recent events to aid thinking about assurance, risk mitigation and challenge and issue awareness. Lincolnshire County Council has an effective risk management service, awarded a level 4, Embedded and Integrated, in the last externally commissioned internal audit (2022). The audit estimated Lincolnshire County Council to be in the top 10% of local authorities for its risk management practices.



Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director of Resources

Report to:	Audit Committee
Date:	13 November 2023
Subject:	Audit Committee Work Programme

Summary:
This report provides the Committee with information on the core assurance activities currently scheduled for the work plan.

Recommendation(s):
To review and amend the Audit Committee's work plan ensuring it contains the assurance areas necessary to approve the Annual Governance Statement.

Background

1. The work plan, as attached at Appendix A, has been compiled based on the core assurance activities of the Committee as set out in its terms of reference and best practice.

Training and Development Programme

2. An important element of the Audit Committee's effectiveness is continuous training and development. This enables committee members to remain up to date on key issues, hot topics and any developments that impact on Audit Committee role and remit.
3. After discussion with the Chairman and Vice Chairman of the Audit Committee the following training and development programme is proposed.

Session One – A half day event – in person event at Lincoln (Date to be confirmed).
Covering the following topics:

- **Effective Audit Committee** – CIPFA has issued some new guidance for Audit Committees. We propose to recap and run through any changes. We will also undertake an assessment of the effectiveness of the Committee – benchmarked against this best practice guidance.

- **Risk Management** – demonstration of new risk management software.
- **Horizon scanning** – picking up some of the big issues and risks facing public sector, how they potentially impact the governance and control framework of the council. Looking to develop the forward work plan – agenda items.

Webinars – Team meeting training events. 1 hour sessions on key elements of the Committee role and remit. Scheduled over 2023.

- **Risk management** – recap on how risks are managed – our risk appetite – how we gain oversight and assurance that our risk and issues are being effectively managed.
 - **Counter fraud** – recap on our approach our fraud risk register with horizon scanning from a fraud perspective.
 - **Good governance and our assurance arrangements.** Propose a workshop with Overview Scrutiny Management Board on how our governance and assurance arrangements measure up against good practice and recent public interest reports.
4. **Lincolnshire Audit Committee Forum** – there’s been a number of requests for this forum to be reinstated. This is where Lincolnshire Audit Committees meet to share their experience – bring out common themes and risks facing the public sector and how Audit Committees can help improve the governance, risk and control environment.
 5. **Working with Overview & Scrutiny Management Board (OSMB)**– quarterly meetings held to discuss areas of common interest. Work programmes are shared and the Chairman of the Audit Committee attends (OSMB) as appropriate (depending on agenda items) and vice versa.
 6. **Emerging Risks** - A verbal update / discussion on any emerging high-risk areas that the Committee may wish to consider for future agenda items.

Conclusion

7. The work plan helps the Audit Committee effectively deliver its terms of reference and keeps track of areas where it requires further work and/or assurance.

Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Work Programme

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 Claire Goodenough, Head of Audit and Risk Management, who can be contacted Claire.Goodenough@lincolnshire.gov.uk

Appendix A - Audit Committee Work Plan 2023/24

13 November 2023 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Completion of the Audit of Accounts for Lincolnshire County Council and Lincolnshire Pension Fund 2021/22	Sue Maycock (Head of Finance – Corporate)	
Update on the Audit of Accounts for Lincolnshire County Council and Lincolnshire Pension Fund 2022/23	Sue Maycock (Head of Finance – Corporate)	
Draft Audit Committee Annual Report 2023	Claire Goodenough (Head of Internal Audit and Risk Management)	Provide assurance that the Committee has adequately discharged its terms of reference and has positively contributed to how well the Council is run.
Horizon Scanning	Claire Goodenough (Head of Internal Audit and Risk Management)	To provide early signs of potentially important developments – identifying potential treats, risks, emerging issues and opportunities.
5 February 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Introductions form new External Auditors	KPMG representative	
Combined Risk Reports	Chief Executive, Executive Directors, and Chief Fire Officer	Understand the level of assurances being provided on the Council's critical systems, key risks and projects and how they link to the Committees role and remit and the Annual Governance Statement. Seeking assurance that they are working well and that any significant risk and issues are being actively managed.
Strategic Risk – Deep Dive (Selected by the Committee)	Risk Owner	That risk management processes working effectively – with appropriate oversight and monitoring of control actions in place or being developed.
Internal Audit Progress Report – February 2024	Claire Goodenough (Head of Internal	Gain an understanding of the level of assurances being provided by the Head of Internal Audit over the

	Audit and Risk Management)	Council's governance, risk and internal control arrangements and why. The Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Audit opinion. Confirm that the plan achieves a balance between setting out the planned work (must do's) for the year and retaining flexibility to changing risks and priorities during the year.
Committee Annual Report 2023	Claire Goodenough (Head of Internal Audit and Risk Management)	Provide assurance that the Committee has adequately discharged its terms of reference and has positively contributed to how well the Council is run.
25 March 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
External Audit Strategy – Lincolnshire County Council & Pension Fund 2023/24	Representatives of KPMG	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.
Statement of Accounts 2023/24 – Accounting Policies	Sue Maycock (Head of Finance – Corporate)	Confirm that the appropriate accounting policies are being applied and understand the impact of any material changes that affect the Council's or Pension fund accounts.
Risk Management Progress Report – March 2024	Claire Goodenough (Head of Internal Audit and Risk Management) Mandy Knowlton-Rayner (Insurance & Risk Manager)	Seek assurance that risk-related issues are being addressed.

Counter Fraud Plan 2024/25	Claire Goodenough (Head of Internal Audit and Risk Management)	On the overall effectiveness of the Authority's arrangements to counter fraud and corruption.
Internal Audit Plan 2024/25	Claire Goodenough (Head of Internal Audit and Risk Management)	That the Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Audit opinion. Confirm that the plan achieves a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year. Ensure that the Internal Audit Resource has sufficiently capacity and capabilities to maintain an effective internal audit function.
17 June 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Internal Audit Report & Annual Opinion 2023/24	Claire Goodenough (Head of Internal Audit and Risk Management)	Provides the Committee with the adequacy of the Council's Governance, Risk and Control environment and delivery of the Internal Audit Plan
Information Assurance Annual Report 2023/24	David Ingham (Head of Information Assurance)	
Monitoring Officer Annual Report	Monitoring Officer	Enables the Committee to consider the Monitoring Officer's Annual Report
DRAFT Annual Governance Statement 2023/24	Claire Goodenough (Head of Internal Audit and Risk Management)	
Counter fraud risk register	Dianne Downs, Team Leader – Counter fraud	
22 July 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Internal Audit Progress Report – July 2024	Claire Goodenough (Head of Internal	Gain an understanding of the level of assurances being provided by the Head of Internal Audit over the

	Audit and Risk Management)	<p>Council's governance, risk and internal control arrangements and why.</p> <p>The Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Audit opinion.</p> <p>Confirm that the plan achieves a balance between setting out the planned work (must do's) for the year and retaining flexibility to changing risks and priorities during the year.</p>
Counter Fraud Progress Report – July 2024	Dianne Downs (Team Leader – Counter Fraud)	Confirm that the Council's counter fraud activity is targeted and effective.
Risk Management Progress Report – July 2024	<p>Claire Goodenough (Head of Internal Audit and Risk Management)</p> <p>Mandy Knowlton-Rayner (Insurance & Risk Manager)</p>	Seek assurance that risk-related issues are being addressed.
23 September 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Approval of the Council's Annual Governance Statement 2023/24	Claire Goodenough (Head of Internal Audit and Risk Management)	Confirm that the final Annual Governance Statement accurately reflects the Committees understanding of how the Council is run.
External Audit Strategy 2023/24 Lincolnshire County Council and Lincolnshire Pension Fund	Representatives of KPMG	<p>Consider the outcome of the External Audit and the appropriateness of management responses.</p> <p>Consider any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.</p> <p>Consider the proposed Value for Money Conclusion and any matters arising.</p>

Statement of accounts 2023/24 – Lincolnshire County Council & Pension Fund	Sue Maycock (Head of Finance – Corporate)	Ensure that the explanatory forward to the accounts help the public understand the authority's financial management of public funds. Consider the outcome of the External Audit and the appropriateness of management responses. Consider any concerns arising
Risk Management Progress Report – November 2024	Claire Goodenough (Head of Internal Audit and Risk Management) Mandy Knowlton- Rayner (Insurance & Risk Manager)	Seek assurance that risk-related issues are being addressed.
11 November 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Draft Audit Committee Annual Report 2024	Claire Goodenough (Head of Internal Audit and Risk Management)	Provide assurance that the Committee has adequately discharged its terms of reference and has positively contributed to how well the Council is run.
Counter Fraud Progress Report – November 2024	Claire Goodenough (Head of Internal Audit and Risk Management)	Confirm that the Council's counter fraud activity is targeted and effective.
Strategic Risk – Deep Dive (Selected by the Committee)	Risk Owner	That risk management processes working effectively – with appropriate oversight and monitoring of control actions in place or being developed.
Horizon Scanning	Claire Goodenough (Head of Internal Audit and Risk Management)	To provide early signs of potentially important developments – identifying potential treats, risks, emerging issues and opportunities.
3 February 2025 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Internal Audit Progress Report – February 2025	Claire Goodenough (Head of Internal Audit and Risk Management)	Gain an understanding of the level of assurances being provided by the Head of Internal Audit over the

		<p>Council's governance, risk and internal control arrangements and why.</p> <p>The Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Audit opinion.</p> <p>Confirm that the plan achieves a balance between setting out the planned work (must do's) for the year and retaining flexibility to changing risks and priorities during the year.</p>
Combined Risk Reports	Chief Executive, Executive Directors, and Chief Fire Officer	<p>Understand the level of assurances being provided on the Council's critical systems, key risks and projects and how they link to the Committees role and remit and the Annual Governance Statement.</p> <p>Seeking assurance that they are working well and that any significant risk and issues are being actively managed.</p>
Committee Annual Report 2024	Claire Goodenough (Head of Internal Audit and Risk Management)	Provide assurance that the Committee has adequately discharged its terms of reference and has positively contributed to how well the Council is run.
24 March 2025 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
External Audit Strategy – Lincolnshire County Council & Pension Fund 2024/25	Representatives of KPMG	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.
Statement of Accounts 2024/25 – Accounting Policies	Sue Maycock (Head of Finance – Corporate)	Confirm that the appropriate accounting policies are being applied and understand the impact of any material changes that affect the Council's or Pension fund accounts.
Annual report for risk management 2024/25	Claire Goodenough (Head of Internal Audit and Risk Management)	Seek assurance that risk-related issues are being addressed.

	Mandy Knowlton-Rayner (Insurance & Risk Manager)	
Internal Audit Plan 2025/26	Claire Goodenough (Head of Internal Audit and Risk Management)	That the Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Audit opinion. Confirm that the plan achieves a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year. Ensure that the Internal Audit Resource has sufficiently capacity and capabilities to maintain an effective internal audit function.
Counter Fraud Plan 2025/26	Claire Goodenough (Head of Internal Audit and Risk Management)	On the overall effectiveness of the Authority's arrangements to counter fraud and corruption.
Counter Fraud Annual Report including Progress Report Nov-Mar	Dianne Downs (Team Leader – Counter Fraud)	Confirm that the Council's counter fraud activity is targeted and effective

Items to be programmed:

Integration of Health and Social Care (including IMT) – Glen Garrod (Executive Director of Adult Care and Community Wellbeing)

Emerging Risks