

Audit Completion Report

Lincolnshire County Council - Year ended
31 March 2022

September 2023
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08 September 2022

Dear Committee Members

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions which were previously reported to the Committee in March 2023.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum dated 18 March 2022. 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, Key Audit Partner

Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 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 and investment properties.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £7,263k. 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 2022. At the time of preparing this report, 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.



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.

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02

Section 02:

Status of the audit

1. Executive summary

Audit area	Status	Description of the outstanding matters
Whole of Government Accounts	 [Green]	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.
Completion procedures	 [Green]	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.
Value for Money	 [Green]	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.

-  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.

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03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Reliance on internal audit

No reliance has been placed on internal audit for the 2021/22 financial audit. Enquiries have been undertaken to held aid the overarching control environment at the Council.

Materiality

Our provisional materiality at the planning stage of the audit was set at £23.5m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £24.6m using the same benchmark.

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. The table below summarises the service organisations used by the Council and our planned audit approach.

Items of account	Service organisation	Audit approach
Pay and non-pay expenditure	Serco	We have reviewed the controls operating at the Council over these transactions and carried out substantive testing (including substantive analytical procedures and sample testing of transactions occurring in the year).
Other income	The Council's provider of financial and other support services, including the processing of payroll, accounts payable and accounts receivable.	

Use of experts

Information below was disclosed within our Audit Strategy Memorandum, dated 18 March 2022. No changes to our audit approach have been identified.

Item of account	Management's expert	Our expert
Property Plant and Equipment & Investment Properties	Keir Property Services The Council's external valuer for PPE (where held at valuation) and Investment Properties	We have not engaged our valuer for the 2021/22 financial year in respect of the Council's asset valuations.
	Savills LLP The Council's external valuer for Investment Properties	
	Hilco The Council's external valuer for their Energy for Waste asset	
Pensions	Barnett Waddingham Actuary for Lincolnshire Pension Fund (LGPS)	PWC (Consulting actuary appointed by the National Audit Office).
	Hymans Actuary for Lincolnshire Fire Authority Pension fund	
Financial Instrument disclosures	Link Asset Management (LAM) Treasury management advisors	None.

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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 observations to date regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls	Description of the risk <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>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 there is a risk of material misstatement due to fraud on all audits.</p>
	How we addressed this risk <p>We addressed this risk through performing audit work over:</p> <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 observations <p>Our considerations of estimates is set out on page 16. We did not identify any significant transactions outside the normal course of business. We applied a combination of audit judgement and computer aided audit tools to analyse and perform tests over journal entries.</p>
	Audit conclusion <p>No issues have been identified that need to be brought to the attention of members.</p>



4. Significant findings

Defined benefit liability valuation

Description of the risk

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.

(Local Government Pension Scheme and Fire-Fighter’s Pension Scheme)

Relevant Account Balances (taken from the 2021/22 draft financial statements):

- £890.1m – Note 25 and 28 (Net pension liability), made up from:
 - Local Government Pension Scheme - £598.3m
 - Fire-Fighters Pension Scheme - £291.8m

How we are addressing this risk

Our work covers:

- critically assessing the competency, objectivity and independence of the Pension Funds’ Actuaries;
- 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;
- 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.

Audit Observations and conclusion - UPDATED

The Council’s share of the LGPS pension fund net liability (being a deficit position) of £598m has decreased from £773m in the prior year as shown in Note 29 of the financial statements. The main movements being an increase in the value of pension assets from £1,427m to £1,575m; and a decrease in the value of pension liabilities from £2,200m to £2,174m. The Fire-fighters Pension Fund net liability has decreased from £311m to £292m.

A non-material £10.2m misstatement has been identified and adjusted for in relation to the movement on Local Government Net defined Pension Liability. Further details are in part 6 of this report.

A non-material misstatement has been identified and adjusted for in relation to the IAS19 LGPS triennial valuation. Further details are in part 6 of this report.

There are no further issues noted from our testing to date that need to be brought to the attention of Members.



4. Significant findings

Valuation of land & 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 2021/22 financial statements):

- Land & Buildings (£551m - Note 15)
- Investment Properties (£109m – Note 17)

How we are addressing this risk

The work we are performing includes:

- 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.

Audit observations - UPDATED

We identified some differences between the source records maintained by the Council and those used by the valuer relating to floor areas where we are clarifying the impact to the carrying value of land and buildings. This is consistent with a prior year finding and an internal control recommendation that remains open, as identified in section 5 of this report.

As part of our work on infrastructure assets, The Council discovered that it had derecognised certain non-current assets in the accounts a year later than indicated in the Council's accounting policy. This led to disclosure changes within the financial statements and no impact to the Council's primary statements. Further details are in part 6 of this report.

Aside from this, no significant issues have been identified from the work performed.

Audit conclusion

There are no further issues noted from our testing to date that need to be brought to the attention of Members.

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 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

We have noted that the Council do not fully comply with IFRS9 – Financial Instruments in respect of the disclosures made using the credit loss model. The Council undertake their own review based on specific circumstances and believe this to be a more pragmatic and prudent approach.

Review has been undertaken by the local audit team and we are satisfied that the model used appears reasonable and that the variance between IFRS9 and the current model does not present a material misstatement. Subsequently adequate disclosure has been made by the Council documenting their deferral away from the standard to ensure the narrative included within the financial statements remains transparent to the reader of the accounts.

Draft accounts were received from the Council on 6 July 2022 and were of a good quality.

Page 42 Going Concern

The Council's financial statements are prepared on the assumptions that it is a going concern and will continue its operations for the foreseeable future. International Auditing Standard ISA (UK) 570, requires auditors to 'obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern'.

Following the issue of Supplementary Guidance Note 1 (SGN1) by the National Audit Office, we have adopted a sector-specific approach to our work on going concern, which follows the principles of Practice Note 10 (PN10) and the guidance provided in SGN1. The SGN1 and PN10 make it clear that the auditor's focus for non-trading public sector bodies should be on the extent to which there are any indications that the services provided by an entity will cease or transfer outside of the public sector (termed the Continued Provision of Service approach ('CPoS')).

Significant matters discussed with management

Significant matters discussed with management during our audit, and which had implications for our audit testing and reporting included:

- The on-going impact of Covid-19 on the Council's business, including any potential impact on risks of material misstatement;
- How the current financial market, has impacted the Council's budget setting process, and assumptions made within the financial statements, alongside the impact of future funding.
- Earlier this year, the Government became aware of an issue relating to the reporting of infrastructure assets, which has led to delays in local authority audits. In response, CIPFA LASAAC Code Board agreed to try to assist in the resolution of the issue through changes to the Code of Practice on Local Authority Accounting (the Code). An accounting solution has not been found and a proposal has been made for an accounting statutory override under the Local Government Act 2003.

Officer's initial view was that internal control processes in relation to Infrastructure Assets were in line with Code requirements. We undertook additional testing and review procedures to test this assertion, where, we concluded that whilst there are clear and established procedures in place, this would not meet the Code standards in full and Officer's have accepted that the statutory override should be taken, leading to adjustments to the financial statements.

- Through our year-end testing of asset existence, we identified a total of one asset (worth £13k), where the Council had disposed of the asset in the current financial year, however the asset itself remained on the fixed asset register. This meant that Property, Plant and Equipment balances included on the balance sheet were overstated. Additional testing was undertaken to determine the extent of the issue, with no further errors being identified. The amount is highly trivial, with no adjustment to the financial statements required however, an internal control recommendation has been raised within section 5 of this report.
- We are currently in discussion with the Council in respect of their financial instrument's disclosures and classification of Low Volatile Money Market Funds in relation to IFRS9.

We also discussed and challenged the accounting classification of Low Volatile Money Market Funds, and additional evidence was obtained to demonstrate that classification within the financial statements is deemed adequate and no adjustment is required.

Through our year-end testing of asset existence, in particular around vehicles, we identified a total of 1 asset (worth £13k), where the Council had disposed of the asset in the current financial year, however the asset itself remained on the fixed asset register. This meant that Property, Plant and Equipment balances included on the balance sheet were overstated. Additional testing was undertaken to determine the extent of the issue, with no further errors being identified.



4. Significant findings

Significant difficulties during the audit

Similar to 2020/21, we have encountered difficulties in undertaking our work on the Council's IT controls, with significant delays in gaining the relevant assurance over the Council's IT controls and overarching control environment, our queries were raised in a timely manner and some aspects remain unresolved. We continue to work with management to complete remaining audit work and resolve audit queries and are grateful for the co-operation and support provided. As reported in our progress report in March, the item's outstanding were:

- User account and access rights management procedure;
- IT security policy;
- Change management procedure;
- Automated process management procedure;
- Incident management procedure; and
- Backup policy.

Information has now been received and processed and we are satisfied that it is consistent with our existing risk profile of the Council.

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4. Significant findings

Accounting estimates

We specifically considered the following areas of accounting estimates;

Estimate	Land & Building Valuations	Investment Property Valuations	Net Pensions Liability	Financial Instruments
Note(s)	15	17	25 and 28	19
Value in 2021/22	The net book value of land, buildings at 31 March 2021 was £551m	The net book value of investment properties at 31 March 2021 was £109m	Local Government Pension Scheme - £598m Fire-Fighters Pension Scheme - £292m	Number of long and short term assets and liabilities.
Audit Risk	Significant	Significant	Significant	Standard
Comments	Property valuation estimates are derived using the professional opinion of the Council's external valuer. Our testing to date has not identified any significant issues.		An adjustment has been identified due to a change within the Pension Fund Assets. Refer to section 6.	Our testing has not identified any significant issues to report.

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4. Significant findings

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 2021/22 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.

Audit fees

As set out in our Audit Strategy Memorandum, we identified the need for a variation to the published scale fee to take account of several matters. Our current estimate is set out below;

Additional work in relation to responding to increased regulatory challenge:

- IAS19 pension figures contained within the financial statements; - **£3,740**
- PPE figures contained within the financial statements; - **£6,200**
- Increased FRC challenge for a Major Local Audit - Additional work in relation to the increased regulatory challenge from the FRC. e.g., additional levels of review for major local audits (MLAs), further testing undertaken on specific areas (journals, cut-off, estimates), increased scrutiny of information provided by the entity; - **£4,000**
- ISA540 - additional work in relation to auditing accounting estimates and related disclosure; and - **£4,700**
- Infrastructure assets – additional work in relation to testing existing arrangements for compliance with the Code and then application of the statutory override - **£11,750**

- Pensions triennial review – additional work arising from application of new actuarial calculations relating to Member data and updated assumptions - **£9,000**
- Work undertaken in relation to VFM commentary. - **£14,000**

As we did not engage our own internal real estates team to aid our 2021/22 financial audit, the estimate previously reported in our Audit Strategy Memorandum no longer applies.

We will agree the final fee, and any further variations, with management prior to reporting to Committee.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

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.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

In addition to the number of internal control recommendations identified in the current financial year (2021/22), we have considered the internal control recommendations from the prior year. There was a total of 5 recommendations identified in 2020/21. These were reported within our Audit Completion Report and Audit Follow Up letter.

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.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

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5. Internal control recommendations

Other deficiencies in internal control – Level 2

Matters arising

As part of our Related Parties testing and consistency check, we identified a total of 2 matters;

- a number of instances to where declarations made by Councillors were not consistent with the information held on Companies house.
- 1 Councillor where the necessary year-end declaration form had not been completed and submitted.

Description of deficiency

Declaration forms are not being completed appropriately in line with the Council’s processes.

Potential effects

Disclosures within the financial statements could be incomplete and not correctly reflect said interests because there is a risk that the Council are not aware of transactions between the two parties.

Recommendation

The Council need to ensure that all declarations are consistent and cross checked back to Companies House and where an undisclosed interest arises, the forms are updated alongside the financial statements.

Management response

Management have noted the recommendation and will revisit procedures as part of the 2022/23 and 2023/24 financial statement close process.

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5. Internal control recommendations

Follow up on previous internal control points

Matters arising

Within our substantive testing of Taxation and Non Specific Grant Income, we identified one grant, where the Council had breached the conditions of the grant during 2020/21. The Council has accounted for the breach by creating an accrual for the amounts to be repaid (total accrued amount was £727k).

Description of deficiency

The Council's controls did not identify the breach in terms and conditions and therefore require review.

Potential effects

There is a risk that where the Council fail to comply with specific grant conditions, a clawback of the associated income may occur.

Recommendation

Upon inspection of the grant in question, we identified that the Council had correctly accounted for the breach of conditions within the financial statements. Our substantive work did not identify any additional concerns that would suggest the financial statements are materially misstated.

The Council need to ensure close monitoring of all grants is undertaken within a timely manner to allow for the grant monies to be fully utilised and services delivered.

Management update 2021/22

We have taken on board the auditor's recommendation and believe that all grant conditions have been met in 2021/22. We acknowledge that the pandemic resulted in a multitude of new grants in 2020/21 to cover various aspects of pandemic impacts and this was a lot of additional work for staff to manage in that year. Where grants have continued, processes to manage those grants are now embedded.

Matter arising

Through our substantive testing of property, plant and equipment; in particular school disposals, we identified a total one school (disposal amount £2,078k), where the Council had correctly accounted for the transaction. Upon receipt and inspection of the evidence, we confirmed that the disposal should have taken place a number of years ago, given the ending of the lease and transfer to Academy status. We were satisfied that the amount is not significant enough to warrant a prior period adjustment.

Description of deficiency

The Council's arrangements to monitor lease agreements to correctly derecognise (or potentially recognise) assets were not operating effectively.

Potential effects

There is a risk that property, plant and equipment, in particular school related assets is overstated within the financial statements, as the Council no longer has legal ownership of the school and therefore, should be disposing of such asset. There is also a risk that the Council are not undertaking timely monitoring of any school, or any other asset, that contain a lease.

Recommendation

No additional concerns were identified through our testing that would suggest the financial statements are materially misstated. The Council need to ensure that their processes are reviewed and updated to ensure that such disposals are being identified and accounted for in the correct financial year.

Management update 2021/22

The Academy disposal in question was from a prior year and one of the first schools to become an Academy. It had been initially identified and assessed through our processes however the interpretation of the Standard and policy for the treatment of Academy Leases with Tenancy at Will at that time was to treat the asset as on balance sheet. The policy has since been reviewed and amended. The school was identified by the valuers during the valuation process because the previous valuation did not meet the Valuers current instructions. Rather than wait for any further discrepancies to unfold during future revaluation we have ensured that all Tenancy at Will are now treated the same way and accounted for as disposals.

5. Internal control recommendations

Follow up on previous internal control points (continued)

Matter arising

In 2014 an additional allowance was made to include external works in the baseline for building cost indices (BCIS) for the valuation of schools, fire stations and libraries. These have been increased annually so that external works costs have remained included in the build costs for these valuations.

Description of deficiency

The Council has not maintained an up-to-date assessment of variables to support valuation estimates.

Potential effects

Valuation methodology permits valuer judgement, however using an approach developed more than six years ago creates unnecessary risk in the accuracy of calculations.

Recommendation

For 2021/22, management have told us that build costs have been obtained via BCIS for each individual asset type and the Council has discussed the figures with the Quantity Surveyor's and rather than adopting an annual All In – TPI increase as in previous years, the external works will be updated to reflect the increase in the cost of completing a new build project as a result of the Covid-19 pandemic and Brexit issues.

The calculation and judgements used to perform this review needs to be retained and a process built in to prevent such as a long interval between the next detailed review.

Management update 2021/22

We believe that this issue has been addressed, as described above.

Matter arising

There has been an increase in financial control and financial reporting errors this year leading to, as per section 6, £15m in errors currently recorded as unadjusted misstatements within the financial statements.

Description of deficiency

Inaccuracies in financial reporting.

Potential effects

Although below our performance materiality threshold of £17,693k, the cumulative extrapolated impact unadjusted misstatements still represents a large amount and all indicate an under-recording of expenditure in the Council's financial statements.

Recommendation

The Council needs to consider the impact of these unadjusted errors and whether the closedown process of the Council for 2021/22 will reduce the risk of significant recurrence. In addition, the Council should ensure finance teams are made aware of the root cause of the errors to aid training and development.

Management update 2021/22

This issue was covered with the Financial Services Team in our training for closedown delivered in March 2022. We are satisfied that our team members understand the importance of using the best information they have at the time to close our accounts. It needs to be recognised that we have a timetable for closure which is designed to meet statutory reporting requirements, as well as our own internal management reporting of the outturn position. This means that we do need to close the accounts on estimates in some areas and we do our best to ensure that estimates are reasonable, given the information we have at that time. If we do receive additional information at a later date which demonstrates that our estimate is incorrect we will assess this to see if the difference is material. We would correct our accounts for material changes to estimates, but we have accepted that correcting every estimate regardless of size would likely impact on our ability to achieve the timetable and deadlines for closure. CIPFA promotes the concept of closing accounts on estimates in order to achieve tight timescales, so we believe that our approach is reasonable.

5. Internal control recommendations

Follow up on previous internal control points (continued)

Matter arising

We identified a difference between the source records maintained by the Council and the valuer relating to floor areas that has led to a misstatements (unadjusted) in the carrying value of land and buildings.

Description of deficiency

Inaccurate property records being maintained.

Potential effects

Increased risk of misstatement in the financial statements

Recommendation

The Council needs to ensure that accurate records are maintained for all assets and undertake an annual reconciliation between base data and information provided/ used by the valuer.

Management update 2021/22

Our process in 2021/22 did involve a “check and challenge” on valuations received, with anything identified as a potential issue followed up with the valuer. This can result in valuations being amended. We acknowledge that in 2021/22 we did not identify two floor area differences on valuations that the auditor later identified. These had differences in value of £76k and £11k.

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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 £730k. 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 course of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 (Previously reported)	Dr: Cost of Services Income	811			
	Cr: Reserves				811
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.					
2 (Previously reported)	Dr: Reserves			1,501	
	Cr: Property, Plant and Equipment				1,501
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.					
3 (New)	Dr: Cost of Services Income	4,951			
	Cr: Reserves				4,951
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. This has led to an extrapolated error of £4,951k.					
Total unadjusted misstatements		5,762		1,501	7,263

6. Summary of misstatements

Adjusted misstatements (Previously reported)

Mazars advised management of a matter brought to their attention by the Lincolnshire Pension Fund auditors.

The Pension Fund auditors had identified a 0.72% difference (increased) between the estimated 2021/22 Fund investment asset value used by the Actuary to prepare the employers' IAS19 valuation reports and the 2021/22 Fund financial statements being audited.

The Council's share of the Fund's estimated pension scheme assets at 31/3/2022 was £1,575,474k. The 0.72% difference was estimated as £11,343k. Whilst this is below our headline and performance materiality threshold, and through discussion with the Council based on prior year findings and the volatility within the market, we recommended that the Council obtained an additional report to quantify the total impact.

Management chose, on the grounds of uncertainty and the volatility within the market, to obtain an updated IAS19 valuation report. The total adjustment identified was £10,216k which results in an increase in both Total Net Assets and Total Reserves.

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		Balance Sheet	
		Dr (£'000)	Cr (£'000)
1	Dr: LGPS Net Defined Pension Liability	10,216	
	Cr: LGPS Pension Reserve		10,216
Total adjusted misstatements		10,216	10,216

6. Summary of misstatements

Adjusted misstatements (New)

Mazars advised management of a matter brought to their attention in respect of the LGPS triennial valuation and how this may impact the current 2021/22 financial statements, based on the volatility and uncertainty of the estimate.

Management chose, on the grounds of uncertainty and the volatility within the market, to obtain an updated IAS19 valuation report. Although the net and gross adjustment position is not material, based on the level of unadjusted misstatements identified throughout the audit and our performance materiality levels, management decided to adjust.

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		Balance Sheet	
		Dr (£'000)	Cr (£'000)
1	Dr: LGPS Pension Asset	16,960	
	Cr: LGPS Pension Reserve		12,890
	Cr: IAS19 Return on Plan Assets		198
	Cr: Reversal Revenue Entries		3,872
Total adjusted misstatements		16,960	16,960

Disclosure amendments

Based on our work undertaken, we have identified a number of disclosure amendments to the accounts:

- Note 35b was updated to correctly reflect the Chief Fire Officer's salary for 2021/22;
- A number of immaterial differences have been corrected to ensure consistency between primary statements and supporting notes;
- A number of disclosures have been amended in line with our internal quality review to ensure compliance with the Code; and
- **As part of our work on infrastructure assets, The Council discovered that it had derecognised certain non-current assets in the accounts a year later than indicated in the Council's accounting policy. This meant that the value of assets derecognised was shown incorrectly in Note 15 Property, Plant and Equipment and Note 18 Intangible Assets. The Council has now reviewed its year-end process and has made appropriate changes and introduced checks to ensure this error does not re-occur. The Council has taken this opportunity to also correct a minor misclassification of an asset, which has affected the Additions, Depreciation and Reclassification lines in the tables below.**

In order to correct this error, the Council has restated the prior year information for 2020/21. As required by the CIPFA Code of Practice on Local Authority accounting, the Balance Sheet has amended to show the impact as at the beginning of the 2020/21 financial year.

The prior period adjustment has not impacted on any of the Council's core financial statements but has impacted on Note 15 Property, Plant and Equipment and Note 18 Intangible Assets.

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 in September 2023.

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2022 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation. Our draft audit report at Appendix B confirms that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.



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 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

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Appendix A: Draft management representation letter

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

Page 60 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; andothers where fraud could have a material effect on the financial statements.

Appendix A: Draft management representation letter

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. 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.

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

Executive Director of Resources



Appendix A: Draft management representation letter

Other deficiencies in internal control – Level 2

Matters arising

As part of our Related Parties testing and consistency check, we identified a total of 2 matters;

- a number of instances to where declarations made by Councillors were not consistent with the information held on Companies house.
- 1 Councillor where the necessary year-end declaration form had not been completed and submitted.

Description of deficiency

Declaration forms are not being completed appropriately in line with the Council’s processes.

Potential effects

Disclosures within the financial statements could be incomplete and not correctly reflect said interests because there is a risk that the Council are not aware of transactions between the two parties.

Recommendation

The Council need to ensure that all declarations are consistent and cross checked back to Companies House and where an undisclosed interest arises, the forms are updated alongside the financial statements.

Management response

Management have noted the recommendation and will revisit procedures as part of the 2022/23 and 2023/24 financial statement close process.

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Appendix A: Draft management representation letter

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 (Previously reported)	Dr: Cost of Services Income	811			
	Cr: Reserves				811
<p>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 (Previously reported)	Dr: Reserves			1,501	
	Cr: Property, Plant and Equipment				1,501
<p>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 (New)	Dr: Cost of Services Income	4,951			
	Cr: Reserves				4,951
<p>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. This has led to an extrapolated error of £4,951k.</p>					
Total unadjusted misstatements		5,762		1,501	7,263

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Appendix B: Draft audit report

Independent auditor's report to the members of Lincolnshire County Council (Subject to Consultation)

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, 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.

Appendix B: Draft audit report

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 the Executive Director of Resources Responsibilities, 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.

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Appendix B: Draft audit report

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 the use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, 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 Accounting Officer

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

Appendix B: Draft audit report

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, and to report where we have not been able to satisfy ourselves that it has done so. 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.

Page 68 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

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

2 Chamberlain Square, Birmingham, B3 3AX

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

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Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<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>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
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> <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.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Chief Financial 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>

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Appendix D: 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, and Audit Committee, 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.

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Mark Surridge, Key Audit Partner

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.