

# Auditor's Annual Report

Lincolnshire County Council – year  
ended 31 March 2022

November 2023  
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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 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

Our audit report was issued on 14 November 2023 and was 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, issued 14 November 2023 gave 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><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>	<p><b>Significant risk:</b> 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><b>Valuation of the net pension liability</b></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><b>Significant risk</b></p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>critically assessing the competency, objectivity and independence of the Pension Funds' Actuaries;</li> <li>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;</li> <li>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</li> <li>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.</li> </ul>	<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><b>Valuation of land &amp; buildings and investment properties</b></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><b>Significant risk</b></p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;</li> <li>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;</li> <li>assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;</li> <li>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</li> <li>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.</li> </ul>	<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:

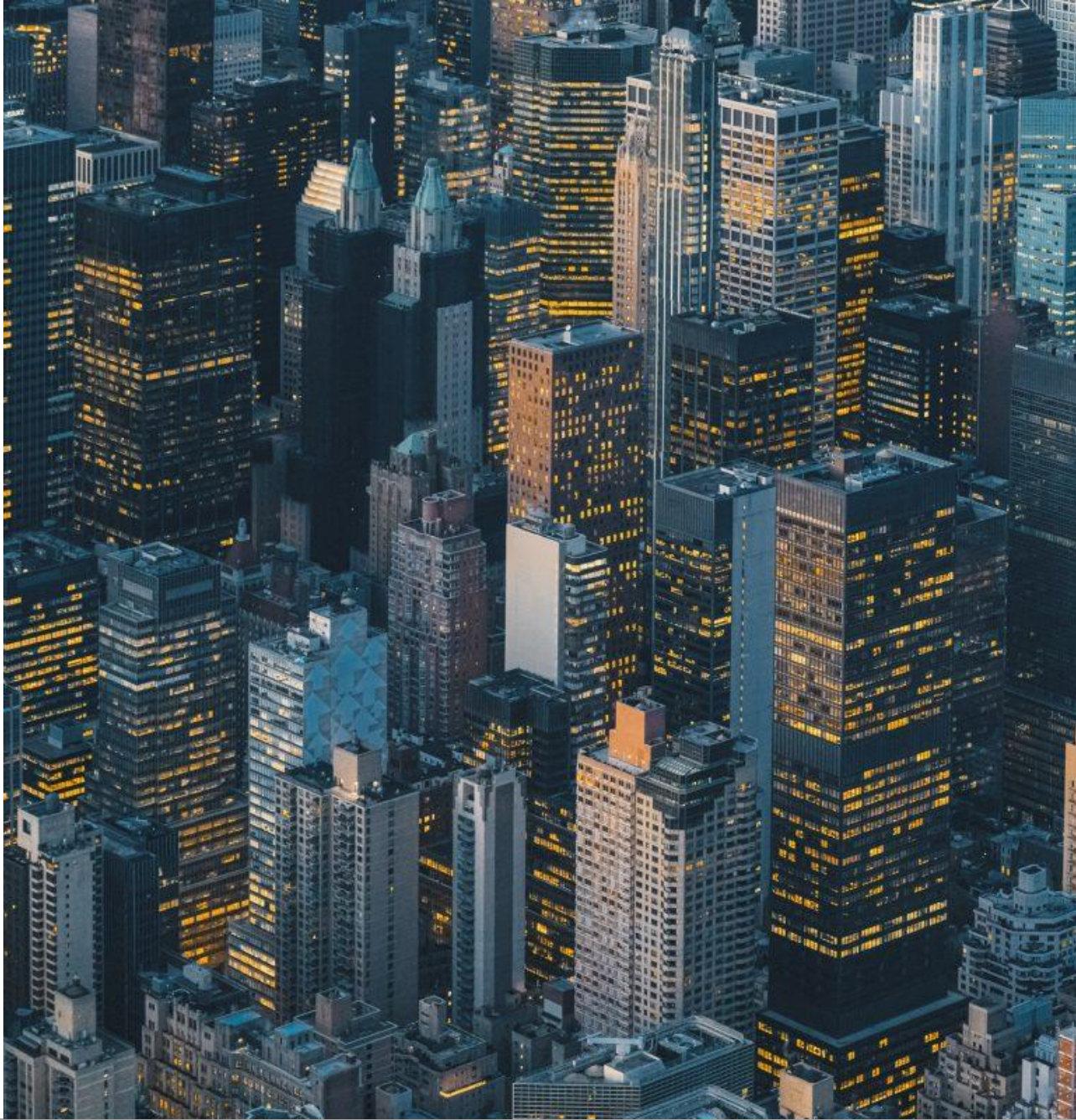
- **Cost of Living:** With most people experiencing financial pressure, spending habits are changing. High energy costs and increasing food prices have impacted on levels of disposable income. With wage (and potentially benefit) increases failing to keep pace with inflation, more people will be facing 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

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?
 <b>Financial sustainability</b>	14	No	No	No
 <b>Governance</b>	17	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	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

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# 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	<b>£94.1m</b>
Transfer from earmarked reserves	(£2.3m)	(£9.3m)	(£6.5m)	(£6.9)	<b>(£25m)</b>
<b>Total net amount</b>	<b>£46.5m</b>	<b>£5.6m</b>	<b>£5.8m</b>	<b>£11.2m</b>	<b>£69.1m</b>

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
<b>Total fees</b>	<b>£118,869</b>	<b>£133,530</b>

\*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

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