



**Governance and Audit
Committee**

**Tuesday, 29 September
2020**

**Subject: Report to those charged with Governance - EXTERNAL AUDIT
COMPLETION REPORT - ISA 260**

Report by:

Presented by: Michael Norman, Mazars

Contact Officer:

Caroline Capon
Corporate Finance Team Leader

caroline.capon@west-lindsey.gov.uk

Purpose / Summary:

To present to those charged with governance,
the External Audit report on the quality of the
Statement of Accounts and Annual Governance
Statement 2019/20.

RECOMMENDATION(S):

1. That members accept the content of this report and bear in mind any recommendations when approving the Annual Statement of Accounts.

IMPLICATIONS

Legal: None from this report

Financial : FIN/68/21/CC

Our External Auditor, Mazars has been appointed from 1 April 2019 as part of the Public Sector Audit Appointments (PSAA) contract awards.

The fee for the audit is £33k in 2019/20 as agreed by Public Sector Audit Appointments PSAA.

However, we have received notification that additional costs have been incurred by the Auditors due to;

- An increase in expectations of regulators on audit quality regarding the approach to Pension Fund Assets & Liabilities and the valuation of land and buildings.
- The emergence of additional issues due to Covid-19
- Additional work in relation to the McCloud and Goodwin Pension legal cases and the potential impact on the Council's Pension Fund

This could result in a fee increase of between £12,750 and £24,000 (39%-73% increase) for this year only.

Mazars have notified us and approached the PSAA to support an additional permanent audit fee increase of between £6k and £10k (18%- 30% increase).

PSAA will need to approve these increases in fees.

Any agreed variation to the audit fee should be reflective and proportionate to West Lindsey District Council but will result in a cost pressure on our budget.

Staffing : None from this report

Equality and Diversity including Human Rights :

None from this report

Data Protection Implications :

Data is shared for audit purposes

Climate Related Risks and Opportunities :

None from this report

Section 17 Crime and Disorder Considerations :

None from this report

Health Implications:

None from this report

Title and Location of any Background Papers used in the preparation of this report:

Risk Assessment :

None from this report

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1. **Background**

The Report to those charged with Governance is attached at Appendix A, the headlines of which include:

- An unqualified audit opinion on the 2019/20 Statement of Accounts.
- That there have been no material audit differences identified.
- There are two main significant risks to note in the following areas in relation to the Statement of Accounts:

1) Valuation of Property, Plant and Equipment, Investment Properties and Assets held for Sale

The Council's valuer has followed RICS guidance and their valuation report concludes, that due to the impact of COVID-19 on the property market, there is 'material uncertainty' over the valuations. This has been properly disclosed in the Statement of Accounts

2) Local Pension Scheme Liabilities

The External Auditors report of The Lincolnshire Pension Fund is still pending. In addition the Council is awaiting an updated IAS19 valuation report following changes to the McCloud Case which impacts on its pensions liability calculations. The Governance and Audit Committee will be updated on any changes

The report will be presented by Michael Norman, Audit Manager, Mazars.

At the time of this report the Audit has yet to be concluded. Should any amendments be required, a verbal update will be provided by Michael Norman at the committee meeting, followed by a formal letter to confirm the amendments.

The ISA260 report is attached at Appendix A.