

# Audit Completion Report

West Lindsey District Council– Year  
ended 31 March 2022

November 2022



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Governance and Audit Committee  
West Lindsey District Council  
Guildhall  
Marshalls Yard  
Gainsborough  
DN21 2NA

14 November 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 for the Committee's 29 November 2022 meeting. The purpose of this document is to summarise our audit findings and conclusions from the audit work to date.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented earlier in the year. 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 at [mark.dalton@mazars.co.uk](mailto:mark.dalton@mazars.co.uk)

Yours faithfully



Mark Dalton, Director

**Mazars LLP**  
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# 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 Pension Liability valuation;
- Valuation of Land and Buildings and Investment Properties;
- Minimum Revenue Provision; and
- Group Accounts

## Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements;, which include a small number of unadjusted misstatements.

## 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 writing this report there are areas where work is still in progress and these are summarised at Section 2.

We will provide an update to you in relation to any significant matters identified at Section 2 as outstanding through our normal follow up letter.



# 1. Executive summary

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



## Audit opinion

We anticipate issuing an unqualified opinion on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



## 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

Our Value for Money work remains in progress and the results of this will be reported within our Auditor's Annual Report later in the year. At this stage we have 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.



## 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:

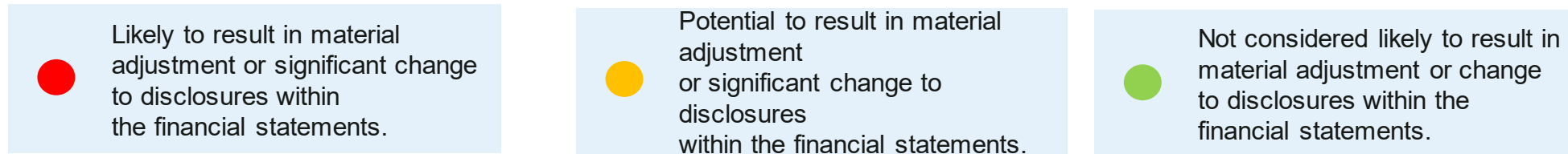
**Status of the audit**

## 2. Status of the audit

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

Audit area	Status	Description of the outstanding matters
<b>Net Defined Benefit Pension Liability valuation</b>		We are awaiting the final assurances from the Pension Fund auditor before we can complete our testing in this area. No material issues have been identified so far.
<b>Income, expenditure, debtors and creditors sample testing</b>		We are clearing the small number of remaining queries relating to our transaction testing,
<b>Whole of Government Accounts (WGA)</b>		NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time. This is a national issue affecting all audit clients and we provide more information on this matter at page 21.
<b>Audit Quality Control and Completion Procedures</b>		Our audit work is undergoing final stages of review by the Engagement Lead and further quality and compliance checks. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.

We will provide the Governance and Audit Committee with an update in relation to these outstanding matters and any additional matters in a follow-up letter, prior to signing the auditor's report.





# 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.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £990k using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements is £935k using the same benchmark.

## Use of experts

In our Audit Strategy Memorandum we identified the following experts planned to be used by management in preparing the financial statements, and by ourselves in carrying out our audit. There are no changes to the planned approach or other matters to highlight in this report from our consideration of the work of experts

Item of account	Management's expert	Our expert
Defined benefit liability	Barnett Waddingham <i>Actuary for Lincolnshire Pension Fund</i>	PWC <i>Consulting actuary appointed by the NAO</i>
Property, plant and equipment valuation	Wilks, Head and Eve LLP <i>External valuation specialist</i>	Not applicable
Business Rates Appeals valuation	Inform CPI Ltd <i>Analyse LOCAL Valuation System</i>	Not applicable
Financial instrument disclosures	Link Asset Services <i>Treasury management advisors</i>	Not applicable

# 3. Audit approach

## Service organisations

In our Audit Strategy Memorandum we identified the following relevant service organisations used by the Council and our planned audit approach. There are no changes to the planned approach or other matters to highlight in this report from our consideration of the service organisations in place.

Items of account	Service organisation	Audit approach
Payroll Expenditure	North Kesteven District Council <i>The payroll entries that form part of the Council's financial statements are material and are derived from the processing of monthly payrolls. The payroll processing is undertaken and administered by North Kesteven District Council on behalf of the Council.</i>	We planned to review the controls at the Council over these transactions and gain an understanding of the work of the service organisations. We planned to conclude whether the Council had sufficient controls in place over the services provided by the payroll and business rates service and whether we could audit these items of account based on the records held at the entity.
Business Rates Income	City of Lincoln Council <i>The Business Rates system is administered by City of Lincoln Council on the Council's behalf</i>	



# 04

## Section 04: **Significant findings**

## 4. Significant findings

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

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 20 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report.

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

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# 4. Significant findings

**Management override of controls**

**Description of the risk**

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.

**How we addressed this risk**

We addressed this risk through performing audit work over:

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

**Audit conclusion**

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.



# 4. Significant findings

## Net Defined Benefit Liability valuation

### Description of the risk

The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary 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 in this area.

### How we addressed this risk

- Critically assessed the competency, objectivity and independence of the Lincolnshire Pension Fund's Actuary;
- Liaised with the auditors of the Lincolnshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included confirming that 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;
- Tested payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and
- Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

### Audit conclusion

Our audit procedures have not, to date, identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to the valuation of the net Defined Benefit Liability. As mentioned at page 8 we are working with the Pension Fund auditor and management to complete the remaining work in this area.



## 4. Significant findings

### Valuation of Land and Buildings and Investment Properties

#### Valuation of Land and Buildings and Investment Properties

The Council's accounts contain material balances and disclosures relating to its holding of land, buildings and investment properties which are required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.

#### How we addressed this risk

In relation to the valuation of land and buildings, and investment properties we:

- Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- Considered whether the overall revaluation methodologies used by the Council's valuer were in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;
- Critically assessed the approach that the Council adopts to ensure that any assets 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 valuer's; and
- Considered the movement in market indices between revaluation dates and the year end in order to determine whether these indicate that values have moved materially over that time.

#### Audit conclusion

Our audit procedures have not to date identified any material errors or uncertainties in the financial statements in relation to the valuation of land, buildings and investment property assets. We have reported non-material misstatements at Section 6 which management are not proposing to adjust in the final Statement of Accounts.

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## 4. Significant findings

### Minimum Revenue Provision (MRP)

#### Description of the management judgement

Under its current policy the Council does not commit to set aside a MRP for commercial investment properties where the asset is expected to be held for a set period, at the end of which a capital receipt is expected to be realised and therefore funds will be available to repay borrowing. The policy does state that the Council may chose to make a voluntary MRP and we understand that, as in the previous year, such a payment is proposed for 2021/22. In our 2020/21 Audit Completion Report we stressed that it was important that the Council continues to ensure that, in departing from Statutory Guidance, it is able to demonstrate that it is continuing to act reasonably, that Members understand the implications, and that its approach is prudent.

How our audit addressed this area of management judgement

We addressed this judgement by:

- Reviewing the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance;
- Assessing whether the provision has been calculated and recorded in accordance with the Council's policy;
- Assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement; and
- Challenging management's justification for the policy in the context of the Statutory Guidance and the Council's expenditure and borrowing.

#### Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to the application of its MRP policy in 2021/22.

# 4. Significant findings

**Group Accounts**

**Description of the management judgement**

The Council has interests in companies and other entities that have the nature of joint ventures. Management’s judgement in 2020/21 was that there was no material impact on the Statement of Accounts and Group Accounts were not prepared. It is expected that a similar line is to be followed for the Council’s 2021/22 accounts.

**How our audit addressed this area of management judgement**

We reviewed the assessment carried out by management for 2021/22 and challenged the reasonableness of judgments management has made.

**Audit conclusion**

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members’ attention in relation to the need for Group Accounts and the accounting for the Council’s companies and joint ventures.



# 4. Significant findings

<b>Changes to the Council's accounting systems</b>	<p><b>Description of the issue</b> The Council has changed its core financial accounting systems in the year.. The Council needs to have effective arrangements in place for managing the changeover and completely and accurately transferring information between the old and new systems.</p> <hr/> <p><b>How our audit addressed this area of area of audit focus</b> We reviewed the steps taken by management to ensure the changeover was carried out effectively and tested the reconciliations carried out on the systems' data transfer. We engaged our IT audit specialists to support the local audit team in this work. Our financial systems controls walkthroughs covered the pre and post changeover periods.</p> <hr/> <p><b>Audit conclusion</b> Our audit procedures have not identified any material errors or other matters that we wish to bring to Members' attention.</p>
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## 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.

The draft Statement of Accounts were approved for issue by the 31 July 2022 deadline and were of a good quality.

### Significant matters discussed with management

Significant matters discussed with management during the year include the on-going impact of Covid-19 and the challenging economic situation on the Council's business, including any potential impact on risks of material misstatement. There are no specific matters that we are required to highlight in this report.

### Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management. The audit was again carried out remotely but there were no significant difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit. We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the co-operation and support provided.

### Modifications required to our audit report

We have not identified any matters which require modifications to our audit report. Our draft audit report, in full, is set out in Appendix B.



# 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 questions or 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 testing as a result of changes arising from increased audit quality expectations involving the work on the valuation of land and buildings and on the local government pension scheme - £7,067.
- Additional work, not reflected in the published scale fee, as a result of the 2020 Code of Audit Practice and VFM reporting – £8,000.

- Additional work arising from the changes to the Council's core accounting systems - £3,000

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

## Delay in the audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts.

The 2020/21 Audit Certificate is still outstanding as the National Audit Office has not finalised its auditor reporting requirements in respect of that year's Whole of Government Accounts (WGA) return. The NAO has also not issued its auditor instructions for the 2021/22 return. This is a national issue affecting all audit clients.

We expect to issue the 2021/22 audit report but delay the issue of the 2021/22 Audit Certificate until:

- the 2020/21 WGA auditor procedures are completed and that year's Audit Certificate has been issued;
- the 2021/22 WGA auditor procedures have been completed; and
- the 2021/22 Auditor's Annual Report has been issued.

We will update the Governance and Audit Committee when more information is known.



# 05

Section 05:

**Internal control recommendations**

# 5. Internal control recommendations

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

The matters we report 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.

Based the audit work carried out this year, we have not identified any significant control deficiencies in 2021/22 that we are required to report to you and there were none reported in 2020/21 which we were required to follow up.



# 06

Section 06:

## **Summary of misstatements**



## 6. Summary of misstatements

### Corrected Material misstatements

The table below summarises the material adjustments made to the draft financial statements during our audit work to date.

Details	Assets £000s	Liabilities £000s	Reserves £000s	Comprehensive Income and Expenditure Statement £000s	Commentary
Balance Sheet:					The 2020/21 financial statements identified a material contingent liability relating to a potential £742k pay-over due to HMRC for a breach of the VAT Partial Exemption rules. The Council was contesting HMRC's claim and believed its appeal would be successful.
Dr Provisions		742			
Cr Creditors		(742)			The Council was unsuccessful in its appeal and the amount due to HMRC was included in the 2021/22 draft financial statements as a Provision, with a corresponding value recorded under Assets Under Construction.
Note 15:					
Cr Plant, property and Equipment – Assets under Construction	(742)				
Dr Plant, property and Equipment – Other Land and Buildings	742				The £742k was paid to HMRC in the early part of 2022/23, and the asset which the VAT related to was mainly the newly built Crematorium which was operational and not under construction. The Council is continuing to challenge HMRC on this matter but the accounts adjustments are required at this stage, and on the basis of the latest information, to record the liability and assets under the correct balance sheet headings.

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## 6. Summary of misstatements

### Unadjusted non-material misstatements

We have identified the following misstatements during the course of the audit work to date which are above the trivial reporting threshold of £28k. Management do not propose to adjust the financial statements for these matters on the grounds of materiality and we ask the Committee to confirm their agreement to this in the Letter of Representation at Appendix A. We will update the Governance and Audit Committee if any further reportable misstatements are identified as a result of the remaining work summarised at page 8.

Details	Assets £000s	Liabilities £000s	Reserves £000s	Comprehensive Income and Expenditure Statement £000s	
Dr Net Pension Liability		439			The Pension Fund has advised employer organisations of a difference between the estimated 2021/22 Fund investment asset value used by the Actuary to prepare the original employers' IAS19 valuation reports and the 2021/22 Fund financial statements being audited. The Council obtained in October 2022 an updated IAS19 valuation report which shows an increase in the Council's pensions asset value (and corresponding reduction in the net pension liability) of £439k. Management is not proposing, on the grounds of materiality, to amend the accounts (including the disclosures at Note 32) for the differences in the updated IAS19 valuation report.
Cr Unusable Reserves (Pensions Reserve)			(439)		
Dr Plant, property and equipment – Other Land and Buildings	88				Detailed testing of valuations identified a small number of errors in the underlying data provided to the Valuer. The Council has obtained valuations for these assets and the net total of these misstatements is summarised in this table. Management is not proposing, on the grounds of materiality, to amend the accounts for these misstatements.
Cr Unusable Reserves – Revaluation Reserve			(88)		

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# 6. Summary of misstatements

## Other adjustments

A small number of disclosure amendments to the notes to the Statement of Accounts have been agreed with management to correct minor errors. None of these are significant and we are not required to highlight them in this report. We will update the Governance and Audit Committee if any further reportable misstatements are identified as a result of the remaining work summarised at page 8.



# 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 December 2022.

## Status of our work

We have not completed our work in respect of the Council's arrangements for the year ended 31 March 2022 but we have not identified any risks of or actual significant weaknesses in arrangements that we are required to report to you or on which we need to make a recommendation. Our draft audit report at Appendix B confirms the status of our work in this area. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in December 2022.



# Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

# Appendix A: Draft management representation letter

Mark Dalton  
Director  
Mazars LLP  
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Leeds  
LS1 4AP

xx November 2022

Dear Mark

**West Lindsey District Council - audit for year ended 31 March 2022**

This representation letter is provided in connection with your audit of the financial statements of West Lindsey District 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.



# Appendix A: Draft management representation letter (continued)

I confirm as S151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

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

### Accounting records

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

### Accounting policies

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

### Accounting estimates, including those measured at fair value

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

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





# Appendix A: Draft management representation letter (continued)

## Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

## Laws and regulations

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

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

## Fraud and error

I acknowledge my responsibility as Chief Finance Officer 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;



# Appendix A: Draft management representation letter (continued)

- All knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

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

### Related party transactions

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

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

### Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. 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.



# Appendix A: Draft management representation letter (continued)

### War in Ukraine

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

### 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.

I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### 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.



# Appendix A: Draft management representation letter (continued)

**Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements identified in the Appendix to this letter are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

**Director of Corporate Services**



# Appendix B: Draft audit report

## Independent auditor’s report to the members of West Lindsey District Council

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of West Lindsey District Council (“the Council”) for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31<sup>st</sup> 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.

#### 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 Director of Corporate Services’ 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 Director of Corporate Services with respect to going concern are described in the relevant sections of this report.



# Appendix B: Draft audit report (continued)

## Other information

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

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

We have nothing to report in this regard.

## Responsibilities of the Director of Corporate Services for the financial statements

As explained more fully in the Statement of Chief Finance Officer’s Responsibilities, the Director of Corporate Services 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, and for being satisfied that they give a true and fair view. The Director of Corporate Services is also responsible for such internal control as the Service Director – Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 Director of Corporate Services 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, the Accounts and Audit Regulations 2015, and the Local Government and Housing Act 1989, and we considered the extent to which non-compliance might have a material effect on the financial statements.

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



# Appendix B: Draft audit report (continued)

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 Standards and 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 Standards and 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 Standards and 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 Service Director Finance's 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



# Appendix B: Draft audit report (continued)

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

### Matter on which we are required to report by exception

We are required to report to you if, in our 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 not completed our work on the Council’s arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Council’s arrangements in our commentary on those arrangements within the Auditor’s Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

### Responsibilities of the Council

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

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

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

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

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

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

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

We have nothing to report in these respects.





# Appendix B: Draft audit report (continued)

## Use of the audit report

This report is made solely to the members of West Lindsey District 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; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

5<sup>th</sup> Floor, 3 Wellington Place, Leeds, LS1 4AP

Xx November 2022



# 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.



# Appendix D: Other communications

Other communication	Response
<b>Compliance with Laws and Regulations</b>	<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>
<b>External confirmations</b>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<b>Related parties</b>	<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"> <li>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</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ul>
<b>Going Concern</b>	<p>We have not identified any evidence to cause us to disagree with the [Chief Financial Officer] that West Lindsey District 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>

# Appendix D: Other communications

Other communication	Response
<p><b>Subsequent events</b></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><b>Matters related to fraud</b></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 the Governance and Audit Committee, confirming that</p> <ul style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>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;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:               <ul style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ul> </li> <li>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.</li> </ul>

# Mark Dalton, Director – Public Services

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

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