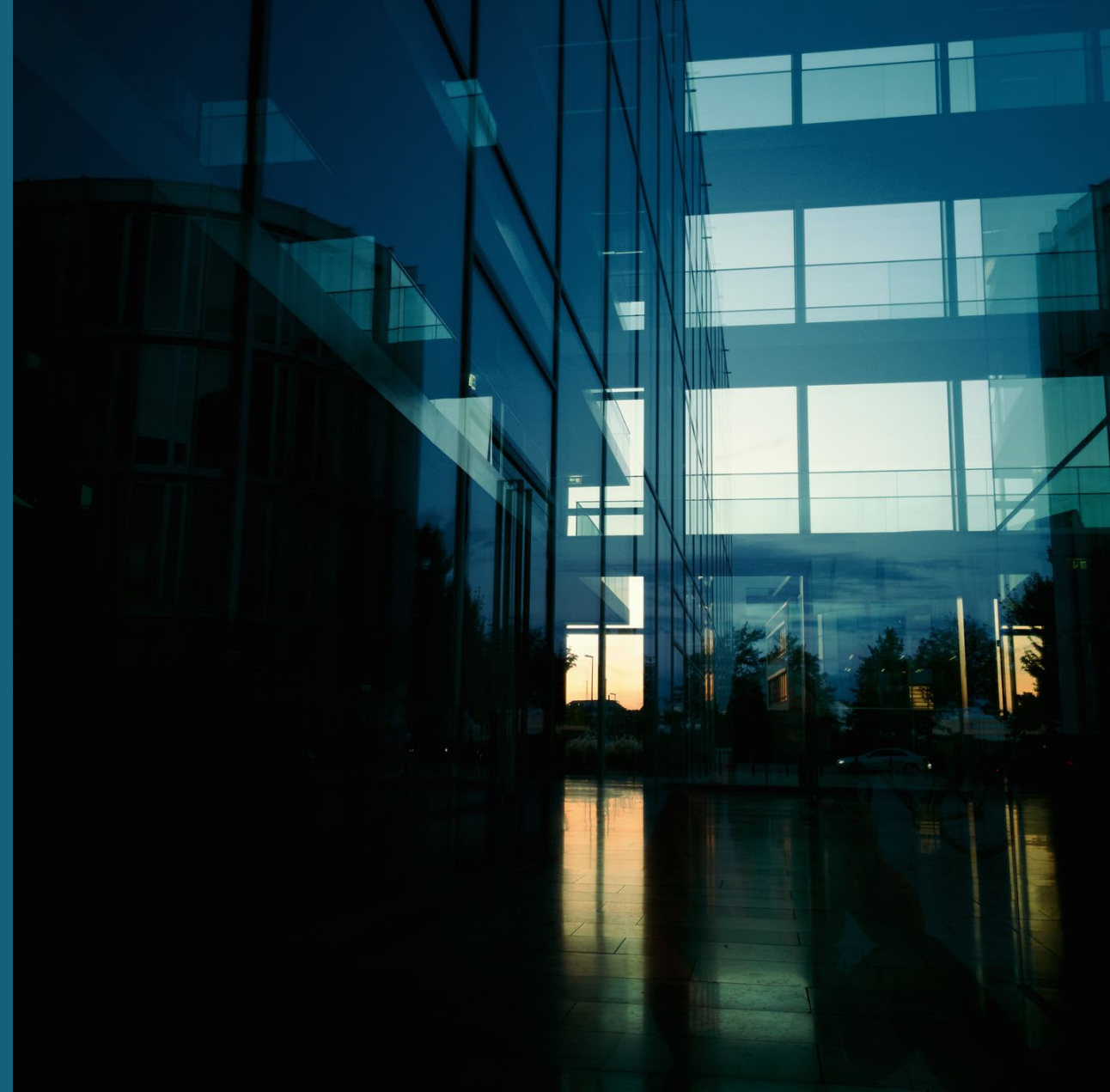


# Audit Completion Report

West Lindsey District Council – Year  
ended 31 March 2023

September 2023



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



Dear Committee Members,

### **Audit Completion Report – Year ended 31 March 2023**

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented in April 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

In our Audit Strategy Memorandum, we highlighted the importance of two-way communication between auditor and client to a successful audit. We would like to express our thanks to the finance team for sharing information to assist us in fulfilling the requirements of our responsibilities throughout the audit process.

We see this document, which has been prepared following the completion of our audit procedures (subject to any matters outstanding outlined in section 2) as being the basis for discussion around our audit conclusions and constructive observations arising from the process.

Client service is extremely important to us, and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or our audit conclusions, please contact me on 07909 985324.

Yours faithfully,

**Daniel Watson**

Mazars LLP

# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

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

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks, key audit matters and areas of management judgement.

Section 4 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Valuation of net defined benefit pension liability
- Valuation of property, plant and equipment and investment properties

## Misstatement and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; there are no unadjusted misstatements to date. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status and audit opinion

We are in the process of completing our audit in respect of the financial statements for the year ended 31 March 2023.

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

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



### Audit opinion

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



### Value for Money

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



### Whole of Government Accounts (WGA)

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



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We received no such correspondence or objection during the inspection period.









# 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
Defined benefit pension liability		We are awaiting assurances from the pension fund auditors to finalise our work on the Council's defined benefit pension liability. We anticipate finalising this work in late October.
Responses to fraud enquiries		Our audit requires us to make standard enquiries of management, those charged with governance internal audit and the monitoring officer. We are awaiting responses to those enquiries.
Completion of our audit testing in relation to income and expenditure		Our audit strategy involves the substantive testing of income and expenditure. We are awaiting evidence and responses to queries on a small number of samples to finalise our audit testing.
Completion of our audit testing in relation to debtors and creditors		Our audit strategy involves the substantive testing of income and expenditure. We are awaiting evidence and responses to queries on a small number of samples to finalise our audit testing.
Agreement of final disclosure amendments required		We are currently in the process of agreeing final disclosure amendments as a result of our accounts reviews to be updated in the final set of accounts.
Whole of government accounts		The National Audit Office are yet to issue their group audit instructions for the 2022/23 Whole of Government Accounts.
Audit quality review		The audit file will be subject to review up to the point of signing. This review may result in queries or the identification of misstatements.
Audit completion procedures		Final checks and reviews of the final set of accounts and audit file are performed at the point of signing the final version of the accounts.



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



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



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

# 03

Section 03:

**Audit approach**



# 3. Audit approach

## Changes to our audit approach

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

## Materiality

Our provisional materiality at the planning stage of the audit was set at £955k using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £849k using the same benchmark.

## Use of experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Defined benefit pension liability	Barnett Waddingham <i>Actuary for Lincolnshire Pension Fund</i>	PWC <i>Consulting actuary appointed by the NAO</i>
Property valuations	Wilks, Head and Eve LLP <i>External valuation specialist</i>	Not applicable
Financial instrument disclosures	Link asset services <i>Treasury management advisors</i>	Not applicable

## Service organisations

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

Items of account	Service organisation	Audit approach
Payroll expenditure	North Kesteven District Council 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.	We did not place reliance on the operation of internal controls. We performed a walkthrough of the operation of controls at the service organisation to document our understanding of key business processes. We took a fully substantive approach to the audit.
Business rates income	City of Lincoln Council The Business Rates system is administered by City of Lincoln Council on the Council's behalf	

# 3. Audit approach

The table below provides a high level summary of the work surrounding the significant risks identified and the associated findings as a result of the work we have performed. Detailed findings in relation to each of the identified risks are included within section 4 of this report.

	Risk description	Risk of fraud	Risk of error	Management judgement	Audit approach	Control observations	Identified misstatements	Overall conclusion
Significant risks	Management override of controls	●			Substantive testing	-	-	No matters to bring to the Committee's attention at this stage.
	Valuation of net defined benefit pension liability		●		Substantive testing	-	-	No matters to bring to the Committee's attention at this stage.
	Valuation of property, plant and equipment and investment properties		●		Substantive testing	-	-	No matters to bring to the Committee's attention at this stage.

# 04

## Section 04: **Significant findings**

# 4. Significant findings

## Significant findings

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

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. We 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.

## Significant risks

There has been no change to the significant risk identified during the planning phase of the audit and communicated to management in the Audit Strategy Memorandum. These are summarised as follows:

<b>Management override of controls</b>	<b>Description of the risk</b>
	<p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>
	<p><b>How we addressed this risk</b></p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"><li>• Accounting estimates impacting amounts included in the financial statements;</li><li>• Consideration of identified significant transactions outside the normal course of business; and</li><li>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li><li>• Our work on journals included identifying and analysing the total population of journals posted by the Council during the year and as part of the accounts preparation process. We identified a range of fraud risk factors that we then applied to the population and tested the validity of any journals that we identified for testing.</li></ul>
	<p><b>Audit conclusion</b></p> <p>We have completed our planned procedures and have no matters to report in respect of the risk of management override of controls.</p>

## 4. Significant findings

<b>Valuation of net defined benefit pension liability</b>	<b>Description of the risk</b> <p>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.</p>
	<b>How we addressed this risk</b> <p>We addressed this risk by:</p> <ul style="list-style-type: none"><li>• critically evaluating the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and</li><li>• challenging the reasonableness of the Actuary's assumptions that underpin the relevant entries made in the financial statements,</li><li>• critically assess the competency, objectivity and independence of the Actuary;</li><li>• liaising with the auditors of the Pension Fund to gain assurance that the overall procedures and controls in place at the Pension Fund are operating effectively; reviewing a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets,</li><li>• reviewing the actuarial allocation of Pension Fund assets to the Council by the Actuary,</li><li>• comparing assumptions to expected ranges, using information provided by the consulting actuary engaged by the National Audit Office; and</li><li>• agreeing data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements.</li></ul>
	<b>Audit conclusion</b> <p>We are awaiting final assurances from the pension fund auditor, but to date have no matters to report in respect of the valuation of the net defined benefit pension liability.</p>

<b>Valuation of property, plant and equipment and investment properties</b>	<b>Description of the risk</b> <p>The Council's accounts contain material balances and disclosures relating to its holding of Property, Plant and Equipment, Investment Properties with the majority of these assets 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.</p>
	<b>How we addressed this risk</b> <p>We have assessed the risk of valuations changing materially in year, considering the movement in market indices between valuation dates and the year end. We have further addressed this risk by:</p> <ul style="list-style-type: none"><li>• assessing the valuer's qualifications;</li><li>• assessing the valuer's objectivity and independence;</li><li>• reviewing the methodology used;</li><li>• performing testing of the associated underlying data and assumptions; and</li><li>• Ensuring the accounting treatment of the valuation and associated movements is compliant with relevant accounting framework.</li><li>• Detailed review and testing of the Gainsborough Cinema valuation approach</li></ul>
	<b>Audit conclusion</b> <p>We have completed our planned procedures with respect to the valuation of property, plant and equipment and investment properties. We have identified one immaterial, unadjusted misstatement reported in section 6 of this report. In response to this finding we have raised a control recommendation, detailed in section 5 of this report.</p>

# 4. Significant findings

## Key areas of management judgement

In the process of performing our audit procedures, we identified the requirement to prepare group accounts as a key management judgement. The below details the judgement, our response and audit conclusions.

<b>Group accounts</b>	<b>Description of the judgement</b> The Council has interests in other entities, which have the nature of subsidiaries and joint ventures. Managements judgement for the 2022/23 accounts is that none of these arrangements are material and the preparation of group accounts is not required.
	<b>How we addressed this judgement</b> We have reviewed management’s assessment and noted that the judgement required the application of a specific group accounts exemption for one of its wholly owned subsidiaries. We have reviewed the assessment carried out by management, specifically reviewing the criteria for the application of this specific exemption. We have challenged management on the reasonableness of the judgements they have applied.
	<b>Audit conclusion</b> We are satisfied that the judgements and application of specific exemptions applied by management are reasonable. We have no matters to bring to the Committee’s attention with respect to the requirement to prepare group accounts.

## 4. Significant findings

### Qualitative aspects of the Council's accounting practices

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

Draft accounts were received from the Council on 31/05/2023 and were of a good quality. The governance statement was approved by the Committee in June 2023 and subsequently provided to the audit team. The public inspection period was suitably extended.

### Significant matters discussed with management

During our audit we discussed the following significant matter with management:

- Control deficiencies identified surrounding the Council's IT processes, which have resulted in a control recommendation detailed in section 5 of this report.
- Managements approach to classifying various property assets between property, plant and equipment and investment properties.
- Managements judgement with respect to the requirement to prepare group accounts. Following these discussions, we are satisfied with the Council's judgement that such accounts are not required.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. We would like to thank the finance team for the support and cooperation they have provided throughout the audit.

### 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;
- make an application for judicial review; and
- issue an advisory notice under schedule 8 of the 2014 Act.

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

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

# 05

Section 05:

**Internal control recommendations**



# 5. Internal control recommendations

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

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

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

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

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

# 5. Internal control recommendations

## Deactivation of leavers system user profiles – Level 1

### Description of deficiency

During our IT audit work, we identified an instance whereby an officer who had ended their term of employment at the Council still had active user profiles within the Council’s ledger system following the date of their final day of service.

The Council provided evidence to show that in this instance, the former officer had not accessed the system following their final day of service.

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### Potential effects

Officers having access to any of the Council’s systems following their final day of service may result in data loss and risk of reputational damage. Specifically, to the ledger system, unauthorised access may facilitate fraudulent activity or expose the Council to material misstatement because of incorrect correct journal postings.

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### Recommendation

We recommend the Council review its leavers process and ensure all access for officers terminating their term of employment with the Council are disabled on the final day of service.

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### Management response

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# 06

Section 06:

## **Summary of misstatements**

## 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £25k. The table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material and does not currently plan to adjust. There are no adjusted misstatements to date.

### Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Intangible assets (2021-22: prior year)			275	
	Cr: Property, plant and equipment (2021-22: prior year)				275
The balance sheet in the prior period (2021-22) contains a classification misstatement of £275k between intangible assets and property, plant and equipment. In the prior period the Council recognised all intangible assets under construction within the property plant and equipment note as tangible assets under construction.					
<b>Total unadjusted misstatements</b>		-	-	<b>275</b>	<b>275</b>

### Adjusted misstatements

To date, we have not identified any misstatements within the Council's primary financial statements.

## 6. Summary of misstatements

### Overview

This section outlines the disclosure misstatements identified during the course of the audit, which we want to bring to the attention of the committee.

### Adjusted Disclosure amendments

To date, we have identified the following disclosure amendments that have been adjusted by the Council in the subsequent version of the financial statements.

1. Note 19 – Debtors: insufficient disclosure was made of the Council’s expected credit loss allowance.
2. Note 15 – Property, Plant and Equipment: the Council did not make the required disclosures in relation to infrastructure assets given the statutory override implemented as a resolution to the national issue.
3. Note 25 – Members Allowances: amendment was required to remove non-elected members’ allowances from the disclosure.
4. Note 33 – Contingent Liabilities: two contingent liabilities included in the note were incorrectly recognised and did not meet the criteria for disclosure.
5. Note 34 – Contingent assets: two contingent assets included in the note were incorrectly recognised and did not meet the criteria for disclosure.
6. Note 22 – Provisions: movements within the note were included in incorrect rows.
7. Note 27 – Audit fees: the code requires the note to disclose fees that are payable, but the Council have included accruals for balances not yet agreed.
8. Note 21 – Creditors: The current split between the main table and the disclosure of creditors for local taxation is incorrect.

### Unadjusted Disclosure amendments

To date, we have identified the following disclosure amendments that will not be adjusted by the Council in the subsequent version of the financial statements.

1. Note 15: in line with the prior period misstatement identified in the table on the previous page, the 2022-23 property plant and equipment note, and intangibles note include disclosure misstatements. £296k of assets under construction have been re-classified from property, plant and equipment assets under construction to intangibles, being made up of the £275k prior period misstatement and £21k of further additions in the current year.

The unadjusted disclosure misstatement is immaterial.

# 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.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

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 November 2023.



## Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2023 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation. Our draft audit report at Appendix B confirms that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in November 2023.

We have included in this report our draft Value for Money commentary that will be included in the Auditor's Annual Report in November 2023 upon completion of the financial audit. This wording will be subject to amendment up to the point of the final report being issued.

# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	25	Yes – see risk 1 on page 26	No	No
 <b>Governance</b>	29	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	33	No	No	No



### 3. Commentary on VFM arrangements

#### Financial Sustainability

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



### 3. VFM arrangements – Financial Sustainability

#### Risks of significant weaknesses in arrangements

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>1</p> <p><b>How the body plans to bridge its funding gaps and identifies achievable savings</b></p> <p>The 2022/23 medium term financial plan and associated budget identifies funding gaps in the years 2024/25-2027/28. The Council is required under statute to present a balanced budget each year. There is a risk in that in subsequent budgets, the Council may include unrealistic savings plans given the decline in government funding to achieve a balanced position.</p>	<p><b>Work undertaken</b></p> <p>To establish if there is a significant weakness in arrangements, we have reviewed the Councils plans to address the forecast budget gaps to evaluate the reasonableness of the actions taken to eliminate the forecast deficits.</p> <p><b>Results of our work</b></p> <p>We have reviewed the Councils planned steps to address the current forecast deficit and noted that it has not included any planned savings. As part of its current planning cycle, the Council has already eliminated the 2024/25 forecast deficit and reduced the forecast deficits for the subsequent two years through the flexing of revenue forecasts. The Council has been able to take advantage of increased interest rates to generate additional income streams in the short term. This has removed the requirement to draw from reserves in the short-term, which the Council acknowledges is an unsustainable means of balancing its future budgets. Given the uncertainties in future funding making future planning more futile, we are satisfied that the steps taken by the Council to address more immediate forecast deficits are reasonable and do not include unrealistic budgetary items to achieve a balanced position. Overall, we are therefore satisfied there is not a weakness in arrangements to secure value for money at the Council.</p>

#### Overall commentary on the Financial Sustainability reporting criteria

##### Background to the Council’s operating environment and finance regime

Local governments are funded through a mixture of streams, largely comprising of government grants, taxation (largely council tax) and income from services provided. There is also an ever-growing trend as a result of increased financial pressures of Councils generating income through commercial activities, such as purchasing properties to generate income. West Lindsey is no exception to this, owning a portfolio of investment properties in and around the local area.

Some of the Government’s initiatives in response to the COVID-19 pandemic were backed by additional funding in 2021/22 in the form of central government grants and emergency funding. These have however largely reduced in 2022/23 and the Council faces ever increasing pressures to meet its increasing running costs amidst government cutbacks on funding for local authorities and economic instability in the form of increasing inflation.

##### The Council’s financial planning and monitoring arrangements

Each year, the Council undertakes a rigorous financial planning process, with the ultimate output being the medium-term financial plan for the next 5 financial years, which is presented to the Corporate Policy and Resources Committee each year. The process followed is a bottom-up approach, spanning from June to January of the year prior to the first year being budgeted.

The process begins with budget setting briefings hosted by the Council’s business partners. These briefings support budget holders in understanding their individual service business plans, using prior year budgets and eventual outturns as a starting point for roll-forward.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

Heads of Service are asked to consider any significant financial changes in service requirements over the medium term and how these will impact on the Council's resources. This information then informs a draft financial plan for discussion with the Council's Corporate Leadership Team. This is then supported by budget consultation events. These are used as a platform for directorate leads and the corporate leadership team to challenge budget holders.

Budget monitoring is a continuous process which operates at all levels throughout the Council. Although Corporate Directors are ultimately responsible for the delivery of their budgets, operationally these responsibilities are devolved down to Heads of Service and budget holders across the Council's services. Every budget has an accountable budget holder, supported by a finance officer, who is responsible for managing, monitoring, and forecasting income and expenditure against the approved budget.

Budget monitoring reports are presented to Corporate Policy and Resources Committee on a quarterly basis and cover both revenue and capital programme updates. These are supported by full year outturn reports, reviewing outturn against the initial budget. At management level, Budget monitoring is carried out on a monthly basis. The results of this are reported to Management Team.

The Council has a strong track record for financial planning and monitoring, demonstrated in its 2022/23 financial statements in the form of a surplus on the provision of services of £1.8m. The capital position reported a total outturn of £4.8m against a total budget of £7.9m, with £0.6m of the variance being a net underspend and £2.5m being slippage, carried forward into subsequent years.

### **The Council's arrangements for the identification, management and monitoring of funding gaps and risks to financial resilience**

The medium-term financial plan taken to full Council during 2022/23, highlighting the 2022/23 budget and forecast for the subsequent 5 years, was balanced, but identified a total budget challenge of approximately £5.0m for the 5 years to 2027/28. The annual budget report presented to the Council contains details of key financial risks and potential impacts on the Council, as well as mitigating actions being taken. The report also details the level of reserves available to meet unforeseen challenges.

We reviewed a sample of budget monitoring reports presented for 2022/23 to the Corporate Policy and Resources Committee. The reports contained detail on any significant variances to budget and updated on performance against savings targets. The reports also reasons for over or underspends against the budget profile to provide adequate scrutiny and oversight.

In relation to the future budget gaps identified, the Council have acknowledged that early work is key to ensuring the Council financial resilience is maintained. Early work in addressing this is centred around a thorough review of reserves and spending plans, and in particular will consider the use of advantageous interest rates to supplement the Council's own income streams. The Council have taken a proactive approach in addressing the gap in 2024/25 given the planning cycle has already commenced, but accept efforts to address gaps identified in many years may be futile based on uncertainties in future funding, particularly the 'cliff edge' in 2025/26 due to business rates reset and funding reform. We have reviewed the Council's responses as part of our work to address the identified risk of significant weakness in arrangements and are satisfied no such weakness exists.

As part of the process during this financial year, there is a thorough review of all reserves to ensure they remain relevant with a view to repurposing them where appropriate to do so. The Council keeps a level of reserves to protect against the risk of any uncertainties or unforeseen expenditure. This is considered best practice and demonstrates sound financial planning. It is recognised by the Council (officers and members) that the use of financial reserves cannot solve a budget problem outright but allows for smoothing of impacts. The Council follows best practice from CIPFA that states that this should be maintained to at least at 5% of net expenditure. Current usable reserves (£28.2m per the 2022/23 draft financial statements) represent far in excess of this benchmark.

The Council also makes use of wider 'business intelligence' to identify potential future risks to financial resilience. The Council risk register is presented to the Governance and Audit Committee. Alongside consideration of the wider risk to the Council, our attendance at these meetings has confirmed that consideration is given to the financial implications of risks, specifically surrounding pressures on demand. This allows the Council to plan its resources accordingly.

### **The Council's arrangements to ensure financial plans support sustainable delivery and wider planning**

The medium-term financial plan is the Council's highest level, overarching financial plan, incorporating all the elements of the Council finance functions. Below this sits several plans developed at a function level. These include the capital investment plan and treasury management plans to the support the annual operations of each function. These plans all then feed into a single executive business plan that directs the Council's operations for that single year.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

Throughout the financial year, the Director of Corporate Services provided updates on treasury management, revenue and capital budgets to the Corporate Policy and Resources Committee, and the various sub-committees as appropriate. These reports are provided to give assurance that the relevant plans, and outturn to date, are supporting the day-to-day operational requirements of the Council. Review of these minutes confirms the Council scrutinise plans to ensure they are consistent with the Councils overall goals and there are no inconsistencies between the various plans.

Specific plans are also subject to consultation with the wider community. An example of one such plan for which this applies is the annual budget. Consultation takes place via the Council's website and is distributed throughout local business communities and networks. This consultation receives a high level of engagement from the wider community, helping the Council ensure its plans align with the requirements of the wider community.

The Council is also subject to a wider overarching local plan. This details the high-level goals of the County for a 15–20-year period and is subject to consultation to ensure the Council is delivering services in line with the needs of the local population. In preparing the medium-term financial plan, management are required to consider the overarching local plan, to ensure the delivery of the Council's goals can be met.

### Outlook for 2023/24 and onwards

Local government is facing significant challenges for 2023/24 and onwards. Examples of challenges the Council will need to consider and address in future periods will be:

- **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 at levels in excess of previous years, 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. The Bank of England base rate rose steadily throughout 2022/23 meaning that the cost of borrowing has also 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.

### Overall view on arrangements in relation to financial sustainability

As a result of the programme of work performed, we are satisfied the Council's arrangements in relation to financial sustainability are appropriate to secure value for money.

### 3. Commentary on VFM arrangements

#### Governance

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





# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### **The Council's arrangements to monitor and assess risk and gains assurance over the operation of internal controls and arrangements in place to prevent and detect fraud**

The Council has an established risk management framework and has systems in place which are built into the governance structure of the organisation. The Strategic Risk Register is owned by the Corporate Management Team and is reported to Governance and Audit Committee on a bi-annual basis. Our attendance of Governance and Audit Committee meetings confirms that the register is reviewed on a timely basis, and risks are 'deep-dived' by the Committee to determine an appropriate responses in managing these risks.

Underneath the strategic risk register the Council has both departmental risk registers and also project risk registers in line with project management methodology. These registers are used for the day to day management of risk, to ensure operational decisions are made with the consideration of real-time risks. All risk registers in place are refreshed to reflect any significant changes in circumstances in which the Council operates and the current challenges and opportunities it faces.

The council has a clear and defined risk management strategy framework that aligns financial accountability within service decision-making. Management has a regime of internal controls and reconciliations that operate in relation to its main systems and procedures. Financial fraud risks and risks of corruption are managed via control design in relation to accounting processes, Human Resources policies and procedures, and the Council's code of conduct. These are further supported by a comprehensive set of financial procedure rules.

The Council makes use of the services of Assurance Lincolnshire for the provision of its internal audit requirements. The head of internal audit takes a risk based approach to determining a planned programme of work for each year. This ensures there is a base level of coverage of core systems that underpin the Council's business critical activities every year, along with scope for cyclical reviews of other elements of the Council's systems. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues.

Our review of the work completed internal audit has confirmed this approach has been applied for 2022/23, achieving a suitable coverage across a sufficient range of business areas to support an overall conclusion. This plan is also reviewed and agreed by the Governance and Audit Committee at the start of each financial year.

Internal Audit progress reports are presented to Governance and Audit Committee meetings, including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account.

At the end of each financial year, the Annual internal audit report for 2022/23 was presented to the Governance and Audit Committee. The report noted that all assurance reviews carried out in the period had achieved high or substantial assurance results. The programme of work assesses the operation of the Council's internal controls across four categories, being: governance, risk, internal control and financial control. In all areas, the report concludes the Council's regime of internal control is 'performing well'.

The wider risk management strategy is pulled together annually as part of the Combined Assurance Process, which forms a single point of assessment for management and the various committee's. The report showed a positive direction of travel for 2022/23, showing downward movements overall in red and amber assurances and upwards movements in the level of green assurances.

Although we have issued an unmodified opinion of the Council's financial statements for 2022/23, our wider financial audit work identified a single control deficiency, resulting in an associated high priority recommendation. Managements attitude to engaging with the external auditors to rectify the identified issue moving forwards corroborates the view that internal control is treated as a priority by the Council. We will monitor the Council's progress against these recommendations in future periods.

Key to the risk management process is the role of the Governance and Audit Committee. Our attendance of meetings and review of minutes confirmed that the Committee receives regular updates on both internal audit progress and risk management. We have seen active Member engagement from the Audit and Risk Scrutiny Committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

### **The Council's arrangements for budget setting and budgetary control**

The Council has an established set of arrangements in place for budget setting and control. The process is set out and approved through the Constitution, which encompasses the Budget Policy Framework Procedure rules and Financial Procedure rules. The Constitution is regularly reviewed and kept up to date.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

The framework includes:

- Clear responsibilities, including the role of the Section 151 Officer in leading the budget setting process and providing professional advice, and the reservation of the approval of the Budget to the Council.
- Budget setting guidance to managers, with the process normally starting well ahead of the year-end to get an early understanding of the key relevant factors and future budget requirements. Although existing budgets are in most cases used as a basis determining the next year's estimates they are not merely rolled forward with early challenge to staff number assumptions and growth and savings proposals.
- Close working between the finance team and with external advisors and neighbouring councils to agree the key budget assumptions, which are challenged and agreed through the budget review process by Management, Corporate Policy and Resources Committee and Council.

Following approval of the budget, budget monitoring commences to monitor progress against targets. Budget monitoring is a continuous process which operates at all levels throughout the Council. Budget monitoring responsibilities of budget holders are documented and they are supported in this role by the finance team. Every budget has an accountable budget holder, supported by a finance officer, who is responsible for managing, monitoring, and forecasting income and expenditure against the approved budget.

Budget monitoring reports are produced on a monthly basis and there are regular meetings held, including finance team members, to discuss the financial performance and forecasts.

### The Council's decision making arrangements

The Council has an established governance structure in place which is set out within its Annual Governance Statement (AGS). The statement includes a review of compliance with the CIPFA Framework including an update on progress towards the completion of actions previously identified to address control or risk issues along with proposed actions for the following year. We reviewed the AGS for 2022/23 and observed the Governance and Audit Committee's review of the AGS and monitoring of actions throughout the year in relation to any significant governance issues.

The Constitution contains the rule governing how the Council operates and how decisions are made,

including the Contract Procurement Rules and Financial Regulations, to ensure procedures are efficient, transparent and accountable. The monitoring officer performed the annual review of this constitution in March 2023. The Council has adopted the Committee Style (also known as the 'Fourth Option') Decision Making Process and complies with the legislation regarding the publication of reports, minutes and whether a decision is a Key Decision or not. Delegated Powers of Decision Making are set out within the Constitution and this enables certain decisions, within prescribed financial boundaries to be taken by senior officers.

There are arrangements in place for ensuring Councillors are aware of the behaviours expected under the Member Code of Conduct, and for investigating and considering any complaints made about Councillors. The Member code of Conduct is overseen by the Standards Committee. The Governance and Audit Committee reviews annually the counter-fraud arrangements and fraud risks and the Constitution includes an up to date Anti-Fraud and Anti-Bribery Strategy and Protocol.

The required Standards Committee arrangements are in place designed to promote and maintain high standards of conduct by members and co-opted Members of the District Council and of the Town and Parish Councils within the District.

There are Overview and Scrutiny Committee arrangements in place to support the work of the other Committees and the Council as a whole. The Overview and Scrutiny Committee has a work programme in place to steer their coverage of services and policy decisions taken. The Constitution includes the Overview and Scrutiny Committee procedure rules, which cover the arrangements for decisions.

### The Council's arrangements to ensure appropriate statutory and ethical standards are met

The Monitoring Officer has overall responsibility for ensuring that appropriate standards and behaviours are adhered to. However, the statutory officers meet regularly to address matter relating to changes in legislation and regulations. The Council's Corporate Policy and Resources Committee approves updated and new policies and procedures which further set out required behaviours and compliance with legislation, best practice and directives.

West Lindsey District Council have also signed up to the National Code of Conduct as set out in the Constitution. This outlines the expected behaviours, standards and compliance requirements staff are mandated to meet.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

There are few external regulators for district councils, and we have not identified any matters reported which indicate significant weaknesses in the Council's governance arrangements.

### Overall view or arrangements in place in relation to governance

As a result of the programme of work performed, we are satisfied the Council's arrangements in relation to governance are appropriate to secure value for money.



### 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



# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

### The Council's arrangements for assessing performance and evaluating service delivery

The Council's annual executive plan, and the various plans sitting below it, set out the Council's priorities and objectives for each period. The Council has in place a performance management framework which includes identified responsibilities of managers and processes for regular performance reporting and corrective action if required.

Since completing its system migration in the previous year to the OneCouncil ERP suite, the Council now has access to a bespoke performance monitoring system. Sitting within the bespoke software, the OnePerformance module allows the Council to generate performance monitoring reports using real-time data directly from the ERP system.

On a practical basis managers complete their performance data in the One Performance system, these performance measures are then routed to the Director to review and approve at the end of each reporting period. The Performance Officer then meets with each director at the end of each performance period, discussing reasons for any outliers and whether a performance improvement plan needs to be drawn up for the respective directorate.

This is all consolidated within the quarterly progress and delivery report which goes to Management Team for further challenge and discussion. Performance reports are then challenged by various committees, with the main stakeholders being Corporate Policy & Resources, Prosperous Communities and Overview and Scrutiny Committee's.

We have reviewed a sample of the quarterly performance reports and Committee minutes which show member challenge of the reported performance. The quarterly reports demonstrate that performance has been managed throughout the year and any significant variances have been justified.

The Council also makes use of its internal audit function to assess its service delivery and any areas for potential improvement. Although there were no such cases in 2022/23, where internal audit assess specific reviews as 'low assurance', reports are escalated to the full committee for a full deep-dive. This deep dive then results in a corrective plan to ensure the necessary action is taken to bring service delivery back to an acceptable level.

On an annual basis, the Council's overall performance is summarised in the Narrative Report as part of the

Statement of Accounts. This outlines the Council's progress against its ambitions, highlighting key actions that have been made in response to their progress. This provides the public with an overall assessment of the Council activities for the financial year.

### The Council's arrangements for working effectively within partnerships

The Council has a well-established set of financial procedure rules that cover all partnership working. The rules dictate the key features of any partnership to provide officers with a decision tree, dictating the roles and responsibilities of individuals that will need to be in place for each arrangement. The procedure rules also identify the controls that will need to be in place for each partnership, based on the characteristics of each arrangement. Our review of the financial procedure rules has confirmed that they are thorough and provide officers with the required guidance to ensure the suitable arrangements will be in place for working effectively within partnerships.

Below the financial procedure rules, the Council also has a code of practise for working within partnerships. This fully formalises the requirements and expectations of Council officers when working in partnerships to ensure the highest ethical standards are achieved.

The Partnership Register contains information about key partnerships that the Council is working with and allows partnership performance and governance arrangements to be challenged at a corporate level. The Partnership Register is updated on an annual basis and reported through the Council's Audit and Risk Scrutiny Committee.

Our review of the aforementioned documents confirms the Council has appropriate arrangements in place for both identifying partnerships and ensuring appropriate controls are in place to gain assurance over their operation.

### The Council's arrangements for procurement of goods and services

The Council's Contract Procedure Rules form part of the Council's Constitution, this considers latest legislative and operational changes at the Council and provide a corporate framework for the procurement of goods, works and services. There are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability.

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Every contract above £75K must have a supporting procurement strategy to ensure the most appropriate procedures have been followed. There is a standing item on monthly Commercial Board agenda which highlights new contracts or expirations.

The Council has a full-time procurement officer who concentrates on day-to-day procurement and contract management. All key projects which involve procurement have a benefits realisation requirement as part of the project documentation which is reported to the portfolio board for scrutiny and challenge as required.

West Lindsey work with Lincolnshire Procurement Partnership to ensure compliance with legislation for more complex programmes. Where procurement projects are highly complex this procurement may be outsourced even further to ensure the relevant expertise are involved and the Council is achieving value for money.

The Council's most recent notable procurement programme was for a development partner for the re-development of the RAF Scampton site into a centre of aviation and space research and heritage. The project was initiated in line with the Council's regeneration programme. The procurement was carried out by Cadence-Innova by support from DWF Legal, Cushman and Wakefield and 31ten consultancy.

Although initially selected as the preferred bidder, the decision on the site has been changed, with initial use passing to the Home Office. Following conclusion of the Home Office operations, the site will then be passed to the Council and their development partner in line with the terms of the original bid.

### Overall view on arrangements for improving economy, efficiency and effectiveness

As a result of the programme of work performed, we are satisfied the Council's arrangements in relation to improving economy, efficiency and effectiveness are appropriate to secure value for money.

# Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

# Appendix A: Draft management representation letter

One,  
St Peter's Square,  
Manchester  
M2 3DE  
[Date]

Dear Daniel Watson

## **West Lindsey District Council - Audit for Year Ended 31 March 2023**

This representation letter is provided in connection with your audit of the financial statements of West Lindsey District Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Code Update and applicable law.

### **My responsibility to provide and disclose relevant information**

I have provided you with:

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

I confirm as 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.

# Appendix A: Draft management representation letter

## 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 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

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

## Contingencies

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

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

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

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the company 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, as amended by the Code Update 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.

# Appendix A: Draft management representation letter

## **Fraud and error**

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

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

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

## **Related party transactions**

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

I have disclosed to you 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.

## **Future commitments**

The Council has no 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, as amended by the Code Update 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

## **Impacts of Russian Forces entering Ukraine**

I confirm that I 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 Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

## **Covid-19**

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements 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.

## **Unadjusted misstatements**

I confirm that the effects of the unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully,

Emma Foy  
s151 officer  
[Date]



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

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2023 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

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

#### Other information

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

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

We have nothing to report in this regard.

# Appendix B: Draft audit report

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

As explained more fully in the Statement of the Director of Corporate Services Responsibilities, the Chief 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 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. Director of Corporate Services is also responsible for such internal control as the Director of Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Director of Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The 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.

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

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

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

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

We evaluated the Director of Corporate Services 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, in particular in relation to the valuation of property, plant and equipment, investment properties and the net defined benefit pension liability, and significant one-off or unusual transactions.

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

- making enquiries of management and the Governance 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 Governance 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.

# Appendix B: Draft audit report

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

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

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

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

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

We have nothing to report in this respect.

### Responsibilities of the Accounting Officer

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

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

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

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

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

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

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

We have nothing to report in these respects.

# Appendix B: Draft audit report

## 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;

*[Signature]*

Daniel Watson Key Audit Partner  
For and on behalf of Mazars LLP

One, St Peter's Square, Manchester, M2 3DE





*[Insert date]*

# Appendix C: Independence



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

We 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
 <p><b>Compliance with Laws and Regulations</b></p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 <p><b>External confirmations</b></p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 <p><b>Related parties</b></p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> <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>
 <p><b>Going concern</b></p>	<p>We have not identified any evidence to cause us to disagree with the Director of Corporate Services 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>

# Daniel Watson

## **Mazars**

One St Peter's Square,  
Manchester,  
M2 3DE

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