

Auditor's Annual Report

West Lindsey District Council – year
ended 31 March 2023

January 2024



Contents

- 01 [Introduction](#)
- 02 [Audit of the financial statements](#)
- 03 [Commentary on VFM arrangements](#)
- 04 [Other reporting responsibilities](#)

[Appendix A: Further information on our audit of the financial statements](#)

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01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for West Lindsey District Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on **XXX**. Our opinion on the financial statements was unqualified.



Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



Wider reporting responsibilities

We have received group instructions from the National Audit Office confirming their requirements in relation to the Council's Whole of Government Accounts submission. We have completed our assurance statement submission for 2022-23 but await confirmation on whether the Council will be a sampled component.

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 did not receive any questions or objections in respect of the Council's financial statements.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended.

Our audit report, issued on [insert date] gave an unqualified opinion on the financial statements for the year ended 31 March 2023. A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. Our audit identified uncorrected misstatements totalling £796k. These fall below the financial statement materiality threshold and were not corrected by the Council. We also identified a small number of immaterial disclosure errors, all of which were amended in the final Statement of Accounts.

As part of our audit, we obtained an understanding of internal controls 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. We identified one deficiency in relation to the Council's IT system. The Council have received the recommendation and provided a response to rectify the issue identified, which will be followed up in 2023/24.

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, our knowledge obtained in the audit, appears to be materially misstated or has not been prepared in line with the relevant guidance. The outcome of this review of the Council's 'other information' is summarised in the following table:

Reporting responsibility	Outcome
Narrative Statement	We did not identify any significant inconsistencies between the content of the Narrative Statement and our knowledge of the Council.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

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. Working papers supporting the Draft Statement of Accounts were of a good quality and the audit team were fully supported by the Council throughout the audit. The governance statement was approved by the Committee in July 2023 and subsequently provided to the audit team. The public inspection period was suitably extended.

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 management and the finance team for the support and cooperation they have provided throughout the audit.

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services



Governance - How the Council ensures that it makes informed decisions and properly manages its risks



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.


- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

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?
 Financial sustainability	11	Yes – see risk 1 on page 12	No	No
 Governance	15	No	No	No
 Improving economy, efficiency and effectiveness	19	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
1	<p>How the body plans to bridge its funding gaps and identifies achievable savings</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>Work undertaken</p> <p>To establish if there is a significant weakness in arrangements, we have reviewed the Council's plans to address the forecast budget gaps to evaluate the reasonableness of the actions taken to eliminate the forecast deficits.</p> <p>Results of our work</p> <p>We have reviewed the Council's planned steps to address the current forecast deficit and noted that it has not included any planned savings. As part of its 2023/24 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

Councils 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, because 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

The Council’s financial planning and monitoring arrangements (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 and the reasons for any variances against budget. At management level, budget monitoring is carried out monthly. 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 due to rephasing of capital works, 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, why the items identified represent a risk 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 maintaining the financial resilience of the Council. Early work in addressing this is centred around a thorough review of reserves and spending plans and will consider the use of advantageous interest rates to supplement the Council’s own income streams. The Council has taken a proactive approach in addressing the gap in 2024/25. The planning cycle has already commenced but accepts efforts to address gaps identified in many years may be futile, based on uncertainties in future funding, notably 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 more than this benchmark, being over 206% of net expenditure.

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’s 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

The Council’s arrangements to ensure financial plans support sustainable delivery and wider planning (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 Council's 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 their requirements.

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 benefit increases failing to keep pace with inflation, more people will be facing hardship.
- Added budget pressures: With inflation at levels more than 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 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. 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 gain 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 response in managing these risks.

Underneath the strategic risk register the Council has both departmental risk registers and 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 these internal controls, Human Resources policies and procedures, and the Council’s code of conduct. A strong tone from the top is also key to the management of risk of fraud and corruption. 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 committees. 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. Management’s 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. External audit 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 Governance and Audit 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 Council’s arrangements for budget setting and budgetary control (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 monthly, and there are regular meetings held which include 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 Committees.

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.

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.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

The Council's arrangements for procurement of goods and services (continued)

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 and the procurement was carried out with external support from the private sector.

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.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on **[insert date]** after signing the audit report.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Governance and Audit Committee in April 2023. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£33,420	£40,486
Additional fees for testing relating to the valuation of land and buildings and local government pension scheme	£8,835*	£1,769**
Additional fees relating to the new Code of Practise and Value For Money reporting	£8,000	£8,000
Additional fees relating to the additional risk of weakness in arrangements identified during the final audit phase as part of our Value For Money reporting	-	£3,000
Additional work arising from the changes to the Council's core accounting systems	£3,000	-
Additional testing relating to the implementation of new auditing standards (ISA540 Estimates)	£2,000	£2,000
Additional testing relating to the implementation of new auditing standards (ISA315R Identifying and assessing the risks of material misstatement	-	£5,000
Total fees	£55,255	£60,255

* The Auditor's Annual Report dated January 2023 disclosed an additional fee of £7,067 in relation to valuation of land and buildings and local government pension scheme. Auditors were required to add a 25% rate increase to 2021/22 fees based on those reported in 2020/21. This was not applied to this additional variation so has subsequently been uplifted following challenge from PSAA.

** For 2022/23 fees, PSAA 'baked in' approved fee variations for the valuation of land and buildings and local government pension schemes to the audit fee under the code of practise. Based on the incorrect calculation of the 2021/22 fee variation, the same adjustment is required to fees to be charged with respect to 2022/23.



Appendix

A. Further information on our audit of the financial statements

Significant risks and audit 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.

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:

Management override of controls	Description of the risk
	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.
	How we addressed this risk
	We addressed this risk through performing audit work over:
	<ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. • 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.
	Audit conclusion
	We have completed our planned procedures and have no matters to report in respect of the risk of management override of controls.

A. Further information on our audit of the financial statements

Valuation of net defined benefit pension liability	Description of the risk
	<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>
	<p>How we addressed this risk</p> <p>We addressed this risk by:</p> <ul style="list-style-type: none"> critically evaluating the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and challenging the reasonableness of the Actuary's assumptions that underpin the relevant entries made in the financial statements, critically assess the competency, objectivity and independence of the Actuary; 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, reviewing the actuarial allocation of Pension Fund assets to the Council by the Actuary, comparing assumptions to expected ranges, using information provided by the consulting actuary engaged by the National Audit Office; and agreeing data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements.
	<p>Audit conclusion</p> <p>We have completed our planned procedures and have no matters to report in respect of the risk of the valuation of the net defined benefit pension liability.</p>

Valuation of property, plant and equipment and investment properties	Description of the risk
	<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>
	<p>How we addressed this risk</p> <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"> assessing the valuer's qualifications; assessing the valuer's objectivity and independence; reviewing the methodology used; performing testing of the associated underlying data and assumptions; and Ensuring the accounting treatment of the valuation and associated movements is compliant with relevant accounting framework. Detailed review and testing of the Gainsborough Cinema valuation approach
	<p>Audit conclusion</p> <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.</p>

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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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