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30 April 2021

Dear Committee Member

### Lincolnshire County Council Audit Completion Report 2019/20 – follow up letter

Following on from the Committee's 16 November 2020 meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Lincolnshire County Council Audit Completion Report dated 4 November 2020.

The outstanding matters and the conclusions reached are detailed below:

| Matter   | Update/Conclusion reached   |
|--|---|
| <p>We were clearing final queries in relation to the significant audit risk identified regarding Land and Buildings valuations. We were proposing an emphasis of matter paragraph in the audit opinion in response to the disclosed material uncertainty in property valuations caused by Covid19.</p> | <p>These procedures were completed before we issued our Auditor's Report. The procedures included any further supplementary testing required to address matters arising from the Engagement Lead's review of the audit work on the significant audit risks identified. As part of that work we agreed with Management in December 2020 that they would obtain an updated valuation for the Energy from Waste assets to meet the Code of Accounting Practice requirements. The valuer's report was received by the Council March 2021 and has been reviewed on our behalf by our valuation expert. Management has taken the view that the updated valuation is not materially different to the value currently reported in the draft financial statements and do not propose to adjust the financial statements. The difference in valuation (£6.674m) is above our 'trivial' reporting threshold and is included in the schedule of unadjusted misstatements provided with the Letter of Representation.</p> <p>Our Auditor's Report issued 30 April 2021 included an unqualified opinion on the Pension Fund's financial statements. Our final Auditor's Report included the expected 'emphasis of matter' paragraph in the audit opinion regarding the disclosed Property Investment Assets' valuation uncertainty.</p> |

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| <p>Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Lincolnshire Pension Fund and we had not yet received their final auditor assurance report.</p>   | <p>We received the requested assurances from the Pension Fund auditor in mid-November and were able to complete our testing. Note 3 to the Council's financial statements was updated to include reference to the 'material valuation uncertainty' relating to the Pension Fund's property investments disclosed in the Fund's financial statements. The 'emphasis of matter' paragraph in our final Auditor's Report included reference to the disclosure at Note 3 of the Council's financial statements.</p>  |
| <p>Our audit work was undergoing final stages of review by the Engagement Lead and other internal consultation and we were addressing any remaining review points. In addition, there were residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.</p> | <p>These procedures were completed before we issued our Auditor's Report. In the course of the final detailed review we identified a small number of additional items which were discussed with Management. For the Committee's information these included:</p> <ul style="list-style-type: none"> <li>• The valuation approach to the Energy from Waste assets (as described above) and confirming the arrangements for 2020/21.</li> <li>• The Council's approach to estimating the 2019/20 Expected Credit Loss which does not strictly follow the approach required under IFRS9. We confirmed with management that the difference in approach was unlikely to be material and we would follow this up with management in 2020/21 to determine whether the approach continues to be reasonable.</li> </ul> <p>Our Auditor's Report included our unqualified opinion on the Council's financial statements, an unqualified Value for Money Conclusion.</p> |
| <p>National Audit Office (NAO) Group Instructions for local authority 2019/20 audits were not available at the date of our Audit Completion Report. Whole of Government Account (WGA) auditor returns to the NAO and Audit Certificates could not be issued until these instructions were available.</p>   | <p>NAO has now issued its instructions and we have completed the required audit procedures. We submitted the WGA auditor report to the NAO and issued our Audit Certificate at the same time as issuing the audit opinion on 30 April 2021.</p>  |

If you wish to discuss these or any other points discussed at the meeting then please do not hesitate to contact me.

Yours sincerely



**Mark Surridge**  
Key Audit Partner  
For and on behalf of Mazars LLP