

Audit Committee
 Lincolnshire County Council
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20 December 2023

Dear Members of the Audit Committee

Audit Completion Report – follow-up letter

Following on from our recent 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 Audit Completion Report reported to you at the Audit Committee meeting of 13 November 2023.

The outstanding matters and the conclusions reached are detailed below:

Audit area	Matters previously reported as outstanding	Status	Conclusions
Net Pension Liability	We are awaiting a response to our request for assurances from the Pension Fund Auditor which is due to be received mid-November 2023. The assurance letter from the auditor will require additional audit procedures and it could lead to uncertainties over the carrying value of the figures in the Council's financial statements. Until we receive the letter, we are unable to conclude on what, if any action, is required.	Complete	The Pension Fund Auditor reported to us on 20 December that their work has indicated a difference between the valuation information supplied to the actuary and updated valuations of £7.8m representing 0.26% of the fund value. The Council's share of the asset value is 51.55%, which would be £4.02m. However, the effect of the asset cap means that this would have no impact the financial statements, but is being reported to you. The Auditor's assurance letter did not highlight any significant concerns or require further material adjustments to the financial statements.
Evidence compilation and review procedures	We are working through residual queries and evidence relating to:	Complete	Our work identified further errors, which management has chosen not to adjust

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Audit area	Matters previously reported as outstanding	Status	Conclusions
	<ul style="list-style-type: none"> • Valuation of land and buildings, including investment properties. • Extended testing on expenditure cut-off • Corrected financial statements 		<p>on the grounds of materiality.</p> <p>A consolidated list of all unadjusted items is included at Appendix A</p>
Completion procedures	Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.	Complete	No matters to raise.
Whole of Government Accounts	We have not yet received information from the National Audit Office in respect of sampled components for additional work and we are unable to finalise our certificate until then.	Incomplete.	We have not yet received final instructions from the National Audit Office and therefore are unable to issue the certificate.

A copy of the final wording of our audit report, in line with appendix B of our Audit Completion Report, is attached.

If you wish to discuss these or any other points, then please do not hesitate to contact me.

Yours sincerely,

Mark Surridge, Key Audit Partner
Mazars LLP

Appendix A – Consolidated Adjustments and Misstatements

Finalised unadjusted misstatements:

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Short-Term Payables – Other Creditors			3,651	
	Cr: CIES – Non-Pay Expenditure		3,651		
<p>Extrapolated error reported in November 2023: We identified errors arising from differences between accruals and actual invoices posted after year end leading to a net overstatement of payables</p>					
2	DR: CIES – Non-Pay Expenditure	4,518			
	CR: Short-Term Payables - Accruals				4,518
<p>Extrapolated error reported in November 2023: in our cut-off testing, we identified errors where items of expenditure recorded in 2023/24 should have been recorded in 2022/23.</p>					
3	Dr: Reserves			4,667	
	Cr: Property, Plant & Equipment - Capital Additions				4,667
<p>Correction to factual error reported in November 2023: In our testing of capital additions, we identified an invoice posted in 2022/23 for works up to the end of March 2022, and therefore ought to have been accrued as capital expenditure in the previous financial year. Our extended testing identified further items recorded in 2022/23 that ought to have been accrued in 2021/22. In our Audit Completion Report, this was shown as £3,382k, subject to our completion procedures.</p>					
4	DR: Property, Plant & Equipment - Additions			1,135	
	CR: Short-Term Payables – Capital Accruals				1,135
<p>Factual error reported in November 2023: In our review of any unrecorded liabilities, we identified an invoice posted in 2023/24 for works up to the end of March 2023 and therefore ought to have been accrued as capital expenditure in the year.</p>					
5	DR: Property, Plant & Equipment – Additions			3,355	

Comprehensive Income and Expenditure Statement		Balance Sheet	
Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
			CR: Short-Term Payables – Capital Accruals
			3,355
Factual error (new): In our extended testing of capital additions after the year end, we identified £3,355k of works for the period to March 2023 that ought to have been accrued as capital expenditure in the year.			
6	DR: Non-Pay Expenditure	2,471	
	CR: Short-Term Payables – Other Creditors		2,471
Extrapolated error (new): In our extended testing of revenue expenditure, we identified expenditure that was recorded in 2023/24 that ought to have been accrued into 2022/23.			
Total unadjusted misstatements		4,518	3,651
		15,279	16,146
6	DR: Unusable Reserves	1,501	
	CR: Property, Plant & Equipment – Land & Buildings		1,501
Extrapolated error (prior year): In our work in 2021/22, we reported an extrapolated difference to the potential carrying value of assets as a result of differences in the areas used to calculation valuations.			
Total unadjusted misstatements		4,518	3,651
		16,780	17,647

Summarised as:

	Dr (£'000)	Cr (£'000)	Net Impact (£'000)
Balance Sheet			
Property, Plant & Equipment	4,490	6,168	-1,678
Short-term Payables	3,651	11,479	-7,828
Reserves	6,168		6,168
Comprehensive Income and Expenditure Statement			
Non-Pay Expenditure	6,989	3,651	3,338

Adjusted misstatements:

As an outcome of work on the 2021/22 financial statements, opening balances on the net pension liability have been updated, with the net pension liability on the local government pension scheme changing from £880m to £867m, with further changes to disclosure notes and related balances in the statement of accounts.

As explained in our Audit Completion Report, further changes and accounting matters arose in relation to the valuation of the local government pension scheme net liability, leading to additional actuarial valuations being obtained by the Council to take into account: (1) a missed academy conversion; and (2) the impact of accounting for pension asset ceilings. This has a £117m impact, with the first iteration of the actuarial report presenting a net pension asset of £54m and the updated version being a net liability of £63m. The changes in the financial statements are numerous.

In addition to the above, various adjustments were made to the financial statement disclosures – none were individually (or collectively) material.

Appendix B: Independent auditor's report to the members of Lincolnshire County Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Lincolnshire County 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, Lincolnshire Fire and Rescue Pension 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 31st 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 Deputy Chief Executive & Executive Director of Resources' 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 Deputy Chief Executive & Executive Director of Resources 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. The Deputy Chief Executive & Executive Director of Resources 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.

Responsibilities of the Deputy Chief Executive & Executive Director of Resources for the financial statements

As explained more fully in the Statement of the Deputy Chief Executive & Executive Director of Resources' Responsibilities, the Deputy Chief Executive & Executive Director of Resources 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. The Deputy Chief Executive & Executive Director of Resources is also responsible for such internal control as the Deputy Chief Executive & Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Deputy Chief Executive & Executive Director of Resources 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 Deputy Chief Executive & Executive Director of Resources 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 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 Deputy Chief Executive & Executive Director of Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

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

- making enquiries of management and the 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 Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Deputy Chief Executive & Executive Director of Resources' 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. This description forms part of our auditor's report.

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

Matter on which we are required to report by exception

We are required to report to you if, in our view 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 Council

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

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

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

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

Use of the audit report

This report is made solely to the members of Lincolnshire County 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 issued the certificate for 2021/22 and completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

[Signature]

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

Address

[Insert date]

Appendix C: Management Representation Letter

Mazars LLP
First floor,
Two Chamberlain Square,
Birmingham
B3 3AX

Dear Mark

Lincolnshire County Council - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Lincolnshire County Council (the 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) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation, and other material;
- Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

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

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

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are

statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

Laws and regulations

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

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

Fraud and error

I acknowledge my responsibility as Executive Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

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

others where fraud could have a material effect on the financial statements.

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

Related party transactions

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

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

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the impact of Covid-19 on the Council's Investment Properties. I have made reasonable enquiries regarding RAAC that may affect our assets. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements, and for which the Code and applicable law require adjustment or disclosure, have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Ukraine

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

Current banking crisis

We confirm that we have assessed the impact on *Lincolnshire County Council* of the on-going Global Banking challenges, in particular whether there is any impact on the company's ability to continue as a going concern, and on the post balance sheet events disclosures.

We confirm that our exposure where applicable (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

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.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements and internal control recommendations

I confirm that the effects of the uncorrected misstatements set out at Appendix A are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Executive Director of Resources

Appendix A: Unadjusted Misstatements

TO BE INSERTED