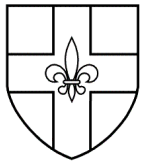


Public Document Pack



CITY OF
Lincoln
COUNCIL

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TO ALL AUDIT COMMITTEE MEMBERS

Democratic Services are dealing with this matter

Direct Line: (01522) 873387

E-Mail: democraticservices@lincoln.gov.uk

Date:

AUDIT COMMITTEE - TUESDAY, 6 JULY 2021

Dear Councillor,

Further to the previously issued agenda for the Audit Committee meeting of Tuesday, 6 July 2021, please find attached the following additional papers.

7. Counter Fraud Policy/ Strategy (Pages 3 - 32)

11. External Audit: Audit Completion Report (Pages 33 - 74)

If you require any further information please feel free to contact me using the information provided above.

Yours faithfully,

Democratic Services Officer

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COUNTER FRAUD and ANTI-CORRUPTION POLICY/STRATEGY

CONTROL

Owner / Policy Lead Officer: Chief Finance Officer / Audit Manager

Location: City Hall, Beaumont Fee, Lincoln

Consultation/Approval Audit Committee / Executive

Date: June 2021 Previous review December 2018

Review Arrangements: Every two years (Owner/Policy Lead Officer and Audit Committee)

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1.INTRODUCTION

Fraud affects the UK across all sectors and causes significant harm.

The City of Lincoln Council takes a zero-tolerance stance to all forms of fraud, corruption and theft, both from within the Authority and from external sources. We recognise fraud can impact on our organisational and strategic objectives and:

- undermine the standards of public service that the Council is attempting to achieve
- reduce the level of resources and services available for the residents of Lincoln
- result in major consequences which reduce public confidence in the Council

The Council's Policy Statement:

The Council is opposed to any form of fraud or malpractice. The Council is committed to operating in an open and honest way in order to:-

- ***Prevent , deter and detect fraud and malpractice;***
- ***Allow scrutiny and investigation to take place, both internally and externally***
- ***Allow rigorous enforcement to take place; and***
- ***Reinforce good practice and prevent reoccurrence***

This policy is supported by senior management and elected members The aim is to ensure that we have a clear counter fraud and corruption culture, which is part of daily business, which links to our strategy of Govern, Acknowledge, Prevent, Pursue and Protect.

2.SCOPE

This Policy/Strategy applies to:

- All City Council employees and Councillors
- Staff and Committee members of council funded organisations
- The City Council's partners
- The City Council's suppliers, contractors, and consultants
- City of Lincoln residents, businesses, and other stakeholders/third parties

Fraud Descriptions

What is Fraud?

The Fraud Act 2006 details the legal definitions of fraud and is used for the criminal prosecution of fraud offences. The Council also deals with fraud in non-criminal disciplinary matters.

Fraud is a deception which is deliberate and intended to provide a direct or indirect personal gain. The term "fraud" can include criminal deception, forgery, blackmail, corruption, theft conspiracy or the covering up of material facts and collusion. By using deception a fraudster can obtain an advantage, avoid an obligation or cause loss to another party. The Fraud Act 2006 has the following criminal offences:

- False representation
- Failure to disclose information
- Abuse of position
- Obtaining services dishonestly and of possessing,
- Making and supplying articles for use in fraud

What is Corruption?

Corruption is the offering or acceptance of inducements for direct or indirect personal gain designed to influence official action or decision making. These inducements can take many forms.

Bribery Act 2010

The Bribery Act 2010 reforms the criminal law to provide a new, modern and comprehensive scheme of bribery offences that will enable courts and prosecutors to respond more effectively to bribery at home or abroad.

Bribery - 'the offering, promising, giving, soliciting, agreement to accept or acceptance of a financial or other advantage which may induce or reward a person to perform improperly a relevant function under 'The Bribery Act 2010.'

Bribery Act Offences

The Act creates the following offences relevant to the Council:

- Offences of bribing another person,
- Offences relating to being bribed; and
- Offences relating to the bribery of foreign public officials.

See the Councils separate Anti-bribery policy

What is Theft?

Theft is stealing any property belonging to the Council or which has been entrusted to it (i.e. client funds), including cash, equipment, vehicles and data. A person is guilty of theft if he or she dishonestly takes property belonging to someone else and has no intention of returning it. Theft does not necessarily require fraud to be committed.

What is Money Laundering?

Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back. Detailed guidance is set out in the Council's Anti-Money Laundering Policy.

3. AIMS AND OBJECTIVES

We aim to:

- Reduce fraud and loss to an absolute minimum
- Protect the Council's valuable resources and reputation by ensuring they are not lost through fraud but are used for improved services to Lincoln residents

- Create a Counter Fraud culture which in beating fraud and corruption is part of daily business and highlights the Council's zero tolerance of fraud, corruption and theft, which defines roles and responsibilities and actively engages everyone – the public, staff, managers and policy makers

- Provide the best counter fraud service which will
 - Proactively deter, prevent and detect fraud, corruption and theft
 - Investigate suspected or detected fraud, corruption or theft
 - Enable the Council to apply appropriate sanctions and recover all losses
 - Provide recommendations to inform policy, system and control improvements, thereby reducing the Council's exposure to fraudulent activity.

Effective counter fraud and anti-corruption arrangements are part of good governance and the wider governance framework of the Council (the Council's "Code of Corporate Governance"). The Council recognises the importance of developing a culture that is resilient to these threats.

Where possible, we will look at opportunities to improve resilience and also achieve financial savings from fraud work.

A number of specific measures have been set to measure counter fraud outcomes (Section 7).

4. STRATEGY

This strategy draws on best practice from the 2020 Fighting Fraud and Corruption Locally Strategy

Our strategy is based upon five key principles: Govern, Acknowledge, Prevent, Pursue and Protect.



Accompanying the five principles are six overarching themes to assist the organisation ensure that our counter fraud response is comprehensive and effective. These are often referred to as the six Cs.

Culture

Create a culture in which beating fraud and corruption is part of normal business

Capability

Ensuring that the range of counter fraud measures deployed is appropriate to the fraud risks

Capacity

Deploying the right level of resources to deal with the level of fraud risk

Competence

Having the right skills and standards in place

Communication

Raising awareness, deterring fraudsters sharing information and celebrating success

Collaboration

Working together across internal and external boundaries with colleagues and other agencies, sharing resources, information skills and learning

4.1. Govern

The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the right tone from the top and having arrangements in place that are designed to promote and ensure probity and propriety in the conduct of the Council's business.

The Council will ensure there are robust arrangements and executive support to ensure antifraud, bribery and corruption measures are embedded throughout the organisation. This is further outlined in the roles and responsibilities section below.

The internal arrangements that are put in place will be communicated throughout the organisation and be publicly available to demonstrate the culture and commitment to preventing fraud. That will include the Counter Fraud and Corruption Policy/Strategy, other counter fraud policies and the counter fraud action plan.

The Council will communicate its' activity and successes.

The Council has a zero-tolerance policy approach to fraud and corruption, which will be monitored and included within update reports.

This counter fraud and corruption policy/strategy and the annual counter fraud action plan applies to all aspects of the local authority's business. It will be communicated throughout the Council and acknowledged by those charged with governance (CMT, Audit Committee, Executive)

The Council has put in place arrangements to prevent and detect fraud and corruption in line with this strategy and the effectiveness of these arrangements is reported to Audit Committee within half yearly reports.

Programme of work (the counter fraud and corruption annual plan)

There is a programme of work to ensure a strong counter fraud culture across the Council led by officers with counter fraud responsibility.

The annual counter fraud action plan is agreed by Corporate Management Team and the Audit Committee, and also reflects resources available. The action plan is mapped to fraud risks.

Outcomes from the plan are reported as part of the half yearly fraud reports. Statistics are collated by relevant sections/teams and included.

The plan covers all areas of the local authority's business and may include activities undertaken by contractors and other third parties. The plan includes proactive counter fraud work which covers risks identified in the fraud risk assessment (the fraud risk register).

Fraud projects may be undertaken using data analytics where possible.

Where appropriate the fraud response plan / counter fraud action plan is linked to the internal audit plan (there may be some specific internal audits being undertaken)

The Lincolnshire Counter Fraud Partnership is a key element of the action plan.

Collaboration and benchmarking

Officers with counter fraud responsibility work jointly with other agencies as appropriate.

The Council collaborates through the Lincolnshire Counter Fraud partnership, a collaboration of Lincolnshire Councils, led by Lincolnshire County Council.

The Council may share data across its own Directorates and between other agencies, in line with data protection laws.

BENCHMARKING AND PARTNERSHIPS

The Council will participate in County wide (and other) partnerships where these can add value to existing arrangements, such as the Lincolnshire Counter Fraud Partnership. To help evaluate the experience of fraud and effectiveness of fraud risk management the council will participate in comparative or benchmarking activities (e.g. CIPFA)

The County Finance Officers group has a role in reviewing proposed fraud projects, particularly those which involve collaboration across the different Councils of Lincolnshire.

Other current partnerships include DWP/SFIS for housing benefit

Where there are counter fraud activities conducted collaboratively or where there is sharing of fraud resources, these arrangements will be set out in appropriate agreements in terms of the arrangements and responsibilities

The Council also aims to ensure that its counter fraud arrangements meet best practice – from CIPFA and the Government – the Council will seek support of LCFP to help review its self-assessment.

COUNTER FRAUD STRATEGY ROLES

The Chief Executive

Ensures the right tone from the top

Ensures that the authority is measuring itself against best practice

Ensures there is trained counter fraud resource in the organisation or the council access to one

Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption

CMT (Corporate Management Team)

CMT collectively own and support the Counter fraud policy/strategy and have a responsibility to help improve awareness and promote appropriate behaviours.

CMT will review the fraud risk register alongside the strategic risk register at least annually or on a six monthly basis (by exception). CMT will periodically review fraud outcomes, fraud work plan and resources. CMT will review and approve any changes to the Counter fraud policy/strategy.

Assistant Directors, Managers, Team Leaders

The AD group will monitor the policy/strategy, fraud risk register (annually or six monthly), and action plan with the CFO.

AD's and Service managers will promote staff awareness, refer all suspected fraud and apply the policy of zero tolerance (the opposition to any form of fraud or malpractice). They will assess the risk of fraud, corruption and theft in their service areas, help maintain the corporate fraud risk register, and reduce these risks by implementing strong internal controls. They will take ownership of actions within their service area.

The Section 151 officer/CFO

The S151 officer, assesses resources and capability, including internal audit and other service areas where there is a counter fraud response.

Where appropriate officers have sufficient access to carry out their work.

Ensuring a Portfolio Holder has counter-fraud within their remit.

Activity is reported upon, including success and future plans

Officers are independent of process, as far as possible.

Working with other colleagues / LCFP to horizon scan future fraud risks.

The Chief Finance Officer will be the accountable person to lead the organisation's approach and implement the policy. The CFO will work closely with the Chief Executive, CMT and Assistant Directors, City Solicitor as well as Internal Audit and partners to ensure the Council has adequately resourced and effective counter fraud arrangements. The CFO will monitor the risk register and fraud work plan with AD group

Internal Audit

To assist in the development and implementation of the Counter Fraud Policy and fraud risk assessment; investigate cases of suspected fraud where appropriate. To consider fraud risk and to make recommendations to improve controls and reduce the risk of fraud in the future.

To participate in counter fraud partnerships.

The Assurance Lincolnshire partnership provides access to a dedicated counter fraud team.

Reviews whistleblowing communications, alongside statutory officers and the HR Manager

Officers leading on counter fraud and corruption

Across the Council there are a range of officers with responsibility for counter fraud activity, as part of regular service-based activity or specific projects.

The Monitoring Officer

Members, audit committee and portfolio leads are aware of counter fraud activity and counter fraud training is available to them.

To advise Councillors and Officers on ethical issues, standards and powers to ensure the Council operates within the law and statutory Codes of Practice. To adopt responsibilities set out in relevant counter fraud policies. To liaise with officers responsible for Counter fraud delivery

The Audit Committee

Receives a report at least once a year (usually two reports) on the counter fraud activity, and risk assessment, which includes proactive and reactive work and how resources are being allocated. The external auditor is also aware.

The audit committee support proactive counter fraud activity and this is included within their terms of reference. The audit committee can provide challenge to the level of activity to ensure it is appropriate in terms of fraud risk and resources.

The Audit Committee will be made aware of what counter fraud activity can be undertaken and link with the various national reviews of public audit and accountability. The relevant portfolio holder is also up to date and understands the activity being undertaken to counter fraud and corruption.

To monitor the Council's counter fraud and corruption policies / strategies and consider the effectiveness of the whistle blowing and counter fraud and corruption arrangements including reviewing and monitoring the counter fraud work plan and actions.

The Portfolio Lead

Receives a regular report that includes information, progress and barriers on fraud risk and mitigation

Human Resources

Are responsible for providing advice in cases involving disciplinary investigations and disciplinary action.

Ethics and Engagement Committee

Promoting and maintaining high standards of conduct by elected Members and co-opted Members

Councillors

To support and promote the development of a strong counter fraud culture

External Audit

The external auditor has a responsibility to review the authority's arrangements to prevent and detect fraud and corruption and seek appropriate assurances

Employees

To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption, theft and to report any genuine concerns

Lincolnshire County Finance Officer Group

This group has a role in working together on counter fraud and considering initiatives linked to specific fraud risks; it also acts as a liaison point for the LCFP

Lincolnshire Counter Fraud Partnership (LCFP)

The LCFP is a partnership involving all the 8 Councils of Lincolnshire. It helps co-ordinate counter fraud projects, identify risks and improve awareness and training.

4.2. Acknowledge

The Council assesses and understands its key fraud risks. The risks of fraud and corruption are considered as part of the Council's overall risk management strategy.

We acknowledge that we must respond to ever increasing and sophisticated threats.

In order to create an appropriate counter fraud response the Council must acknowledge and understand its fraud risks. It then commits the right support and appropriate resource to tackle fraud.

Some examples include housing benefit/ council tax support, tenancy fraud, council tax fraud, cyber fraud.

We communicate the risks to those charged with Governance, including the Corporate management team and the Audit Committee

The risk assessment ensures a proper assessment of its fraud and corruption risks, and this feeds into the fraud and corruption action plan (the fraud response) to deal with them.

Fraud loss estimates (local and national) are used to help assess the risk of fraud where these are available.

Mitigation actions which are relevant to reduce the risk level are included within the register. These include internal control measures which will be used to prevent fraud occurring or aid early detection.

The fraud risk register will be reviewed and monitored by CMT and Audit Committee (at least annually) including actions. Detailed monitoring will take place by the CFO and AD group. This will include monitoring any actions in response to the risks of fraud and corruption.

Where there are significant or increasing fraud risks these will be brought to the attention of management.

Service Managers will escalate fraud risk concerns to their Assistant Director and CFO where appropriate and discuss mitigation.

Fraud risk assessment will be undertaken for significant new operations or changes in processes.

This strategy recognises the increase in Economic crime which refers to a broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others. This can include fraud against the individual, private sector and public sector, terrorist financing, sanctions contravention, market abuse, corruption and bribery, the laundering of proceeds of all crimes.

Resource

The Council assesses the risks (and potential future risks) and commits proportionately the right level of support and resources. This assessment includes the understanding of the harm that fraud may do in the community (see the Protect strand to this strategy).

Not every local authority requires a large team; the Council assesses the current fraud risk levels and tailors the action plan accordingly. This includes access to resources with the right capabilities and skills. This could be existing staff, bought in resource, or a mix of the two. The Council can also draw on expertise within the Lincolnshire Counter fraud partnership.

Investigations will comply with appropriate regulations and procedures.

The Council has registered with the FFCL Knowledge Hub, so it has access to directories and other tools.

Where appropriate staff will be professionally trained and accredited, or this resource will be bought in. The Council has access through partnerships/ other local authorities/ or funds to buy in for specialist staff for example surveillance, computer forensics, asset recovery, financial investigations. Officers involved within Counter fraud activity have adequate knowledge and skills.

Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.

The Council will aim to benchmark fraud resources, with the LCFP, which supports counter fraud activity and the work plan.

Resources are already used to

- Facilitate the CoIC/DWP/SFIS partnerships
- Manage and investigate NFI cases
- Liaise with the LCFP
- Deliver linked projects / Fraud action plan
- Implementing the tenancy fraud strategy
- Assessing and managing fraud risks
- Investigating fraud cases
- Receive and monitor whistleblowing cases
- Develop and deliver fraud training
- Receive and communicate current fraud risks/threats

4.3. Prevent (and Detect)

It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event. This is key to developing a more effective anti-fraud culture.

The Council will make the best use of information and technology to help prevent and detect fraud.

Fraud controls and processes where possible will be enhanced. This is an ongoing process and is also part of the fraud risk register review alongside other review work. Where possible the Council will set in place controls to prevent fraudsters from accessing services.

For example the technology to establish identity, check documents and cross-check records is becoming cheaper and more widely used and should be applied internally and externally for example to potential employees as well as service users.

Prevention measures and projects are undertaken using data analytics where possible.

Audit and other staff are consulted to fraudproof new policies, strategies and initiatives across departments. This forms part of the report to committee.

Internal audit, management and third parties will carry out work in high risk areas

Internally some key areas of prevention include:

- monitoring compliance with standards of conduct across the local authority covering codes of conduct including behaviour for counter fraud, anti-bribery and corruption, register of interests, register of gifts and hospitality. Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked and reported to committee.

- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking appropriate checks

Whistleblowing

There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure. These arrangements ensure that staff and the public have access to fraud and corruption whistle-blowing communications channels such as a helpline, and are kept under review.

Contractors and third parties may be sign-posted to the whistleblowing policy. There is no discrimination against whistle-blowers.

Arrangements should meet best practice

4.4. Pursue

The Council will prioritise fraud recovery and the use of civil sanctions / penalties where appropriate. Asset recovery and civil recovery are considered.

We will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal, criminal and disciplinary action where appropriate

Sanctions and redress will vary between fraud risk areas and respective policies. The “further information” section below provides more details of current policies and strategies.

A crucial element of our response to tackling fraud is recovering any assets or money lost through fraud – this is an important part of our strategy and will be rigorously pursued where appropriate

We may recover expenses incurred in the cost of the investigation as well as any direct loss. For significant risk areas this will be set out in relevant policies (see further information)

We will develop capability and capacity to investigate and pursue/punish fraudsters

We will develop a collaborative and supportive enforcement response on sanctions where possible. This may include collaborating across geographical and sectoral boundaries, with local law enforcement and with suppliers and external organisations.

All allegations of fraud and corruption are risk assessed as part of response. See the Fraud Response document Appendix A

We will learn lessons and close the gaps if we are subject to fraud and learn lessons from others that have been subject to fraud. Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to fraud-proof systems.

Successful cases of proven fraud/corruption will be publicised internally and externally to raise awareness.

We will actively review where there is a “business case” to invest in counter fraud activity –in order to generate savings by preventing and recovering losses.

4.5. Protect

The Council recognises the increased risks to victims and the local community.

This includes protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

We undertake initiatives locally and will work with our partners to reduce the risks to the local community. For example, the Council is part of the “Friends against scams” initiative and we have links through the Lincolnshire Counter Fraud partnership to the local Community Safety Strategy/Partnership.

For the Council this will also cover protecting public funds, protecting the organisation from fraud and cyber-crime and also protecting itself from future frauds. This theme lies across all the pillars of this strategy.

5. TRAINING

It is important to have the right skills and standards to address the fraud risks identified and to investigate and conduct investigations. The work plan will identify any skills training required. There are resource limitations (for example accredited investigators) and options will need to be considered where they are required.

We recognise that general fraud awareness training is appropriate for all staff and members and will be delivered. Counter fraud awareness is part of the wider training requirements covering ethical conduct.

6. COMPLIANCE WITH LEGISLATION, REGULATION, PROCEDURES

All relevant legislation and other requirements will be adhered to as part of any counter fraud work

This will include:

- Data matching
- NFI
- Information sharing
- RIPA

When undertaking data matching appropriate data protection notices, data sharing protocols and impact assessments are put in place in accordance with agreed protocols.

7. OUTCOMES

Investigation itself does not represent the outcomes of counter fraud work. We recognise that by preventing fraud we will reduce losses and the delivery of our counter fraud work plan will improve overall outcomes and achieve the aims and objectives of the policy. We will measure the effectiveness of our counter fraud arrangements by focussing on such outcomes as;

- Delivery of pro-active counter fraud work (the action plan)
- Ensuring high levels of fraud awareness (internally and externally)
- Zero tolerance to fraud (number of referrals / ensuring suspicions reported and action taken)
- Successful engagement with partners

We will monitor these outcomes and will include within update reports

There are number of fraud areas where we will capture statistical information (See 9.4.1)

8. RISKS TO THE POLICY/STRATEGY

There is limited capacity in the organisation in some areas to support counter fraud activities due to the focus being on other priorities, such as maintaining key services and meeting budget savings.

Investigators have transferred to DWP – SFIS and there are limited budgets to train staff post SFIS. Some authorities retained skilled investigators and we will work with local partners to make the best use of our combined resources. Where there are opportunities for additional funding, this may be directed at training and / or new resources to investigate fraud.

By updating the fraud risk register, developing a new work plans and seeking support of partners through the LCFP, the Council aims to maintain focus on counter fraud. The Council has in the past been successful with partners in securing dedicated one–off fraud related funds and will continue to seek additional funding when and if it becomes available.

Other risk areas include lack of incentives, data sharing, information sharing risks and powers.

9. FURTHER INFORMATION

Information on counter fraud and policies is available on the Council's website

9.1.List of Council Fraud Related Policies and Guidance

- Counter Fraud and anti-corruption policy/strategy (this policy)
- Anti-Money laundering policy
- Anti-Bribery policy
- Benefit fraud, sanctions and prosecutions policy
- RIPA policy
- Whistleblowing policy
- Tenancy Fraud Strategy
- Counter Fraud risk register
- Fraud awareness course

Further information and guidance:

- Website - fraud information page
- Counter fraud leaflet
- Financial and contract procedure rules
- Codes of conduct
- Gifts and hospitality register
- Register of interests
- IT security policy
- Data protection policy
- Data transparency

9.2.Crime Prevention Organisations and Partnerships:

National Crime Agency (NCA) leads work against serious and organised crime. Regional Organised Crime Units provide high end specialist capability, including regional fraud teams to local forces tackling the threat from serious and organised crime in their region. Organised crime can affect local authorities including money laundering, identity crime, intellectual property crime and theft of assets.

Action fraud is the UK's national central reporting centre for fraud and cyber crime . Action fraud is run by the City of London Police.

Local Police liaison

There are regular local Police liaison meetings between senior Council officers and senior Police Officers.

There are links to the local economic crime unit.

Safer Lincolnshire Partnership

The Safer Lincolnshire Partnership is the single multi-agency forum for addressing community safety issues across Lincolnshire.

The Safer Lincolnshire Partnership aims to:

- Reduce crime and disorder and increase the safety of individuals and communities across Lincolnshire

- Ensure those living, working or visiting Lincolnshire feel safe and are equipped to cope with any hazards or threats they may encounter SLP Handbook 2018-2021
- Improve communication, coordination and cooperation between agencies allowing them to work together more efficiently and effectively

Lincolnshire Counter Fraud Partnership

Partnerships covering the Councils of Lincolnshire to deliver joint projects and provide local support to counter fraud

Citizens Advice

How you report the scam to Citizens Advice depends on the type of scam it is
Victims of fraud can receive support from Victim Lincs at their website [Victim Lincs](#)

Single Fraud Investigation Service (SFIS)

The Single Fraud Investigation Service (SFIS) is a partnership between DWP Fraud Investigation Service, HMRC and local authorities

National Anti-fraud Fraud Network (NAFN)

NAFN Data and Intelligence Services are a public sector organisation which exists to support members in protecting the public interest. We are one of the largest shared services in the country. The aim is to be the most effective and efficient point of contact through which members can acquire data, intelligence and knowledge to support their investigations, protecting the public purse and safeguarding the community.

National Investigation Service (NATIS)

Tackling serious organised crime, bribery and corruption affecting the public sector in the United Kingdom

9.3. Counter Fraud Good Practice:

Cifas is the current secretariat for Fighting Fraud and Corruption Locally (FFCL)

CIPFA Protecting your supply chain from fraud, an accessible reminder of the continuing risks to supply chains posed by fraud and corruption, many of which are exacerbated by emergency circumstances.

CIPFA's Counter Fraud and Corruption Tracker (CFaCT) survey is the annual survey of the fraud and corruption detected in local authorities across the UK. It gives a national picture of fraud, bribery and corruption across UK local authorities and the actions being taken to prevent it.

9.4. The Transparency Code/ data

DCLG published the transparency code to strengthen transparency within local government. The Code legally requires local authorities to publish annually details of their counter fraud work. Key areas cover employees, amount spend and number of fraud cases.

Transparency Data

- Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 201432, or similar powers
- Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud
- Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
- Total amount spent by the authority on the investigation and prosecution of fraud
- Total number of fraud cases investigated

General Data

Fraud Areas subject to monitoring (where appropriate inclusion in the six monthly annual report to Audit Committee) – number of cases, value of fraud

- Procurement
- Insurance (Fraud) Claims
- Investments
- Economic & Voluntary Sector Support
- Debt
- Expenses
- Payroll
- Recruitment
- Pensions
- Mandate Fraud
- Manipulation of Data (financial and non-financial)
- Other Fraud
- No Recourse to Public Funds
- Ctax CTR
- Ctax SPD
- Ctax other
- Business rates
- Housing benefit
- Housing right to buy
- Housing sub letting
- Housing other

Appendix A

FRAUD RESPONSE

Referral and Investigation

Note that there are separate response processes and policy linked to the fraud response for housing benefit, council tax support, tenancy fraud etc.

In accordance with its objective of deterring fraud and dishonesty, the Council will pursue any remedies at its disposal, including prosecuting and recovering its losses from those responsible, and (in the case of employees) taking disciplinary action.

Where there are fraud concerns identified (or reasonable grounds for believing that a criminal offence has been committed), whether by a Councillor, employee or member of the public, the matter will (usually) initially be investigated and assessed by the Council's Internal Audit Section. If there is insufficient evidence to proceed a record of the decision will be made and appropriate feedback provided to the referrer.

Where there is believed to be sufficient evidence to proceed, a strategy meeting will be held with the Chief Finance Officer, the relevant Director (or Assistant Director), City Solicitor or Legal Services Manager, Human Resources Manager. Consultation will of course depend on the nature and scope of the case. Internal Audit will present its findings.

The purpose of the strategy meeting will be to identify the type of investigation required:

- a) Management investigation
- b) Internal Audit investigation
- c) Police investigation

Officers will be clear, open, consistent and action taken will be proportionate. When deciding whether to refer a matter to the Police, or consider other sanctions, officers will make a decision at the most appropriate time using the best available information. It is possible that a Management or Audit investigation could run concurrently with a Police investigation.

Where the fraud is proven the matter will be taken forward by the Police for prosecution.

Where the fraud is proven there will be a management decision whether to try and recover losses, and whether disciplinary action is appropriate.

Where matters are referred to the Police, Council officers having any involvement in it will be expected to give the police their full co-operation, and must take care not to do anything to prejudice the investigation.

On completion of their investigations, the Police and/or the Crown Prosecution Service will decide whether or not to prosecute, having regard to the Code for Crown Prosecutors.

The Code lays down a two stage test. The first stage is to consider whether there is sufficient evidence to prove the offence beyond reasonable doubt. The second stage is to consider whether a prosecution would be in the public interest.

Recovery of Losses

Wherever possible, the Council will take any steps it can to recover any losses resulting from fraud or dishonesty from those responsible. This may include asking the Police to apply for a compensation order, where the person responsible is prosecuted, taking proceedings in the civil courts, deducting any losses from sums owing to the person responsible, so far as the law allows. Investigation costs may be added.

We will recover any overpayments in relation to employees.

Good practice:

Don't delay – report the matter quickly

Don't alert, approach or accuse individuals

Don't tell other people about your concerns

Don't – investigate yourself

Do – write down your suspicions

Do – keep any evidence safe

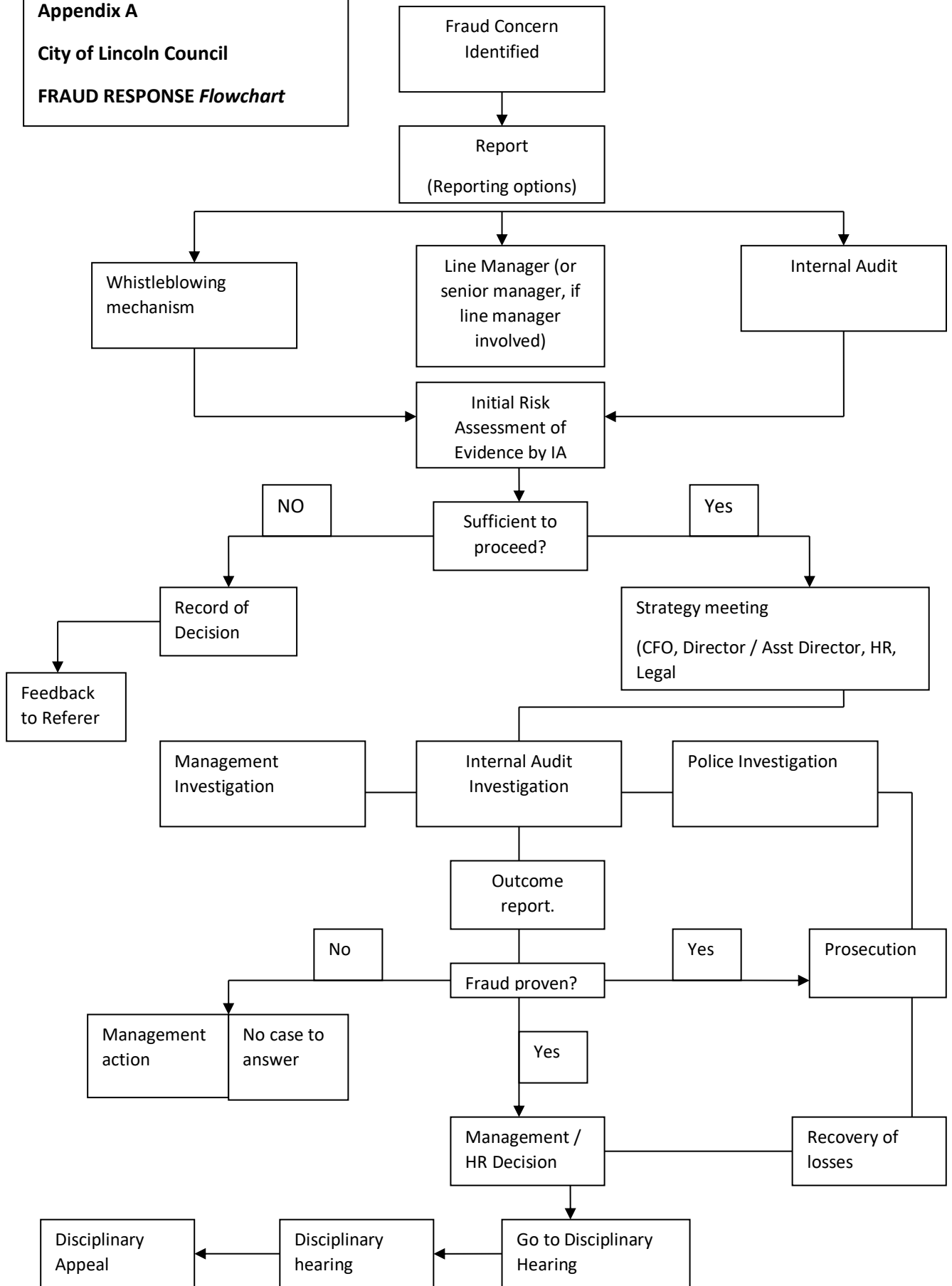
Do – tell us who you are

Do – keep calm

Further details and information of safeguarding your confidentiality can be found in the Council's whistle blowing policy

The fraud response flowchart is attached at Annex A

Appendix A
City of Lincoln Council
FRAUD RESPONSE Flowchart



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City of Lincoln Council - Counter Fraud Strategy

2021-22 Action Plan

Reference	Activity	Target Dates	Roles/Responsibility
1.	LCFP/CoIC : SPD Bulk Review (managed service review)	Q1/2	<p>Head of Shared Revenues and Benefits</p> <p>LCFP: Oversight Delivery (specific areas)</p> <p>Set up and completion of the SPD bulk review using Datatank (April to December 2021).</p>
2.	LCFP/CoIC : SPD Continuous Rolling Review	TBC	<p>Head of Shared Revenues and Benefits</p> <p>LCFP: Developing business requirements Procurement involvement Resource implications / recruitment Oversight Delivery</p> <p>Refresh business case (based on 2018 information) for moving from a bulk to a continuous rolling SPD review including working fraud referrals. Approval considerations. Work includes: finalising procurement arrangements: resource requirements</p>

3.1	<p>LCFP/CoIC: Covid 19 grants - fraud cases and post assurance</p> <p>CoIC: Case Review Report (as required) NFI – 1/2 Acting on Intelligence sharing Liaison – national frauds Returns (eg HMRC)</p> <p>Post Assurance Test and Trace</p>	Q2/3	<p>Head of Shared Revenues and Benefits Assistant Director – Major Developments Internal Audit Manager</p> <p>LCFP: Business requirements Data sharing Operational</p> <p>Development of approach including collaborative working with Internal Audit to deliver a joined-up approach</p> <p>Liaison with relevant agencies about data sharing e.g. HMRC and National Fraud Initiative</p> <p>Establish data sharing agreements with relevant parties</p> <p>Data analysis</p> <p>Results monitoring</p>
4.1	<p>LCFP/CoIC : Joined up communications approach / fraud awareness working group</p> <p>LCFP Comms plan</p> <p>Fraud Newsletter (District Version)</p>	Q2/3	<p>Internal Audit Manager Communications Manager Head of Shared Revenues and Benefits</p> <p>LCFP: Input and development as well as communication oversight / delivery within their district</p>

	Whistleblowing comms (See 4.3)		<p>Provide a focus relating to fraud against councils Share LCC Communication Plan: key themes and messages / supporting items. Work with districts (if required) to tailor messages. Lead on county wide 'public' fraud communications e.g. SPD outcomes / whistleblowing awareness Signpost key contacts for communications relating to fraud against individuals / businesses Develop e-learning content and supporting items (tailored versions cover: LCC: schools and districts).</p> <p>Develop district relevant version of LCC publication (2 p.a) To include relevant articles / fraud cases / fraud information to support raising fraud awareness</p>
4.2.	<p>ColC: Scam Awareness</p> <p>Building on existing partnership and comms</p> <p>Joint working with Citizens Advice – scam awareness week June 21</p>	Q1/Q2	<p>Internal Audit Manager Communications Manager Head of Shared Revenues and Benefits Customer Services Manager</p>
4..3	LCFP/ColC Whistleblowing communications	Q2/3	CFO/CS/LCFP/HR Manager
5.1	<p>LCFP/ColC : Fraud risk consideration</p> <p>LCFP support and facilitation Top 5 risk comparison</p>	Q2/3	<p>District 'LCFP fraud' representative Service areas</p> <p>Business requirements Approach development Adapting relevant information Workshop delivery / facilitation Fraud risk register development Fraud risk reporting</p>

			TBC – scope to be developed for fraud risk register development / support. Identification / sharing of district top 5 risks
5.2.	CoIC: Counter Fraud risk register update	Q2	CFO Internal Audit CoIC Managers
6	LCFP/CoIC : Counter fraud training Update existing training for staff and members	Q2	Internal Audit Manager CFO Head of Shared Revenues and Benefits Customer Services Manager LCFP: Business requirements Delivery / support Adaptation of supporting information LCFP representatives to consider training requirements (members / Audit Committee / leadership/ directorates). Support requirements to be agreed.
7.1	LCFP/CoIC: Fraud policy development	Q1-4	CFO Internal Audit Manager Head of Shared Revenues and Benefits LCFP : Development Approval Dissemination

			LCC to share relevant policies (LCC Counter Fraud Policy (reflects Fighting Fraud Locally for 2020's) to be updated November 2021
7.2.	CoIC: Counter fraud policy review (w/b, bribery, M/L)	Q3	CoIC – CFO Internal Audit Manager City Solicitor
8	LCFP/CoIC : Sharing local and national fraud intelligence and alerts	Q1-4	Internal Audit Manager CFO Head of Shared Revenues and Benefits LCFP: Dissemination LCFP has established links with various sources including NAFN (National Anti-Fraud Network): National fraud Intelligence Bureau (NFIB) and Midland Fraud Group.
9	LCFP/CoIC : Horizon scanning: providing fraud risk information to prevent and detect fraud	Q1-4	Internal Audit Manager CFO Head of Shared Revenues and Benefits LCFP: Dissemination Share relevant information / briefing, as appropriate

10	LCFP/ColC : Sharing counter fraud guidance and best practice	Q1-4	Internal Audit Manager CFO Head of Shared Revenues and Benefits LCFP: Dissmeniation
11.1	LCFP/ColC : Business rates –LCFP could support fraud / avoidance initiative by providing national fraud intelligence and best practice.	Q1-4	
11.2	ColC : Business rates avoidance (ongoing) Small Business Rates Relief (SBRR) is being reviewed through a third party, to cross check against other authorities as to whether a business is in receipt of SBRR.	Q1-4	Head of Shared Revenues and Benefits
12.1	LCFP/ColC: Housing tenancy fraud – fraud awareness support / red flags and warning signs	Q1-4	ColC -Tenancy Services Manager/AD LCFP Fraud awareness support / red flags and warning signs
12.2.	ColC: Tenancy Fraud Strategy	Q3	ColC -Tenancy Services Manager/AD
12.3.	ColC : Housing tenancy fraud – tenancy verification project - final review and data deletion Consideration of further exercise 2022-23	Q2-3	ColC -Tenancy Services Manager/AD

12.4.	ColC: Ongoing tenancy counter fraud work – sub-letting/non-occupation/abandonment/ etc NFI	Q1-4	ColC -Tenancy Services Manager/AD
13	LCFP/ColC : Cybercrime – pro-active work to develop knowledge and awareness. This is a rapidly evolving risk where we need to develop an effective response.	Q1-4	Internal Audit Manager Head of Shared Revenues and Benefits Customer Services Manager BDIT LCFP pro-active work to develop knowledge and awareness
14	ColC: NFI (General)	Q1-4	Internal Audit Manager NFI leads Managers
15	ColC: Money Laundering - completion of risk assess	Q2	Internal Audit
16	ColC: Annual Fraud report	Q1	Internal Audit
17	ColC: Interim Fraud report	Q3	Internal Audit
18	LCFP/ColC: Whistleblowing referrals – ongoing review	Q1-4	Internal Audit / HR Manager Revenues and Benefits/Tenancy LCFP Providing and managing a single point of contact across Lincolnshire for the Confidential Reporting Line including reporting
19	ColC: Reactive work / investigations	Q1-4	Internal audit / other
20.1		Q1-4	Revenues and Benefits

	ColC: Revenues and Benefits Ongoing counter fraud/error work NFI SFIS VEP HBMS HBAA		
20.2.	ColC Council Tax Empty property review project	Q2/3	Head of Shared Revenues and Benefits <i>Subject to agreement of contract</i>
21	Lincolnshire Finance Officers Group.	Q1-4	LCFP Prepare Lincolnshire Counter Fraud Partnership briefings / reports and Plan for Lincolnshire Finance Officers Group. Share relevant papers with LCFP representatives for Audit Committee reporting
22	Fraud benchmarking	Q1-4	Internal Audit
23	Compliance with Strategy	Q1-4	To form part of fraud reporting across the 5 strands

SUBJECT: EXTERNAL AUDIT: AUDIT COMPLETION REPORT

DIRECTORATE: CHIEF EXECUTIVE & TOWN CLERK

REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 To present the final Audit Completion Report for 2019/20, which summarises the findings from the 2019/20 audit of the Council's Statement of Accounts. A draft of this report was presented to this Committee in November 2019, a final report has now been issued following the conclusion of the audit.
- 1.2 This report includes only matters of governance interest that have come to the external auditor's attention in performing the audit. It is not designed to identify all matters that might be relevant to the Authority.
- 1.3 The report will be presented at the meeting by the Council's External Auditors, Mazars.

2. Executive Summary

- 2.1 The Council's financial statements are an important means by which the Council accounts for its stewardship of public funds. Council Members have final responsibility for the financial statements. It is therefore important that the Audit Committee consider Mazars findings before recommending the adoption of the financial statements to Full Council (this requirement was fulfilled in November 2020).

3. Opinion on the financial statements

- 3.1 At the time of issuing the draft report in November 2020, Mazars work on the financial statements was substantially complete. This work has now been completed and Mazars issued an unqualified audit opinion on 31st March 2021 (a report to those charged with governance (IAS 260) is attached at Appendix A).
- 3.2 As part of the audit work undertaken Mazars have considered the internal controls in place relevant to the preparation of the financial statements. The findings of this work has resulted in 3 recommendations being made in respect of:
 - Production of draft accounts and working papers
 - Incomplete disclosures for pension fund plan assets
 - Investment property valuations

Further detail of the findings and recommendations are provided in section 4 of the attached report.

3.3 In relation to misstatements in the accounts there were a number of misstatements identified that were above the trivial threshold level of £49k. Of these there were two misstatements that the Council assessed as not being material and has therefore not adjusted the accounts. These unadjusted misstatements are detailed in section 5 of the attached report. There were also a number of misstatements that were adjusted for as part of the audit process and have been reflected in the final version of the Statement of Accounts. Further details of these misstatements are provided in section 5 of the attached report.

3.4 A final copy of the Statement of Accounts is presented elsewhere on this agenda.

4. Value for Money conclusion.

4.1 The Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are adequate. Mazars therefore proposes issuing an unqualified opinion on the Council's value for money arrangements.

5. Strategic Priorities

5.1 The Council's Statement of Accounts are a financial summary of the Council's activities in support of its Vision 2025 and Strategic Priorities during the financial year 2019/20.

6. Organisational Impacts

6.1 Finance

There are no direct financial implications arising as a result of this report.

6.2 Legal Implications including Procurement Rules

In accordance with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 the Statement of Accounts for 2019/20 had to be approved and published by the Council, together with the audit opinion and certificate, by the 30th November 2020. As the External Auditor was unable to complete their audit work by this date and issue their audit opinion. In accordance with Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015:

2) Where an audit of accounts has not been concluded before the date specified in paragraph (1) an authority must—

(a) publish (which must include publication on the authority's website) as soon as reasonably practicable on or after that date a notice stating that it has not been able to publish the statement of accounts and its reasons for this"

Such a notice was published by the Council on the 27th November. On receipt of the final audit opinion, the Council's website has now been updated with the final audited accounts including the issued audit opinion.

6.3 Equality, Diversity and Human Rights

There are no equality, diversity or human rights issues arising as a result of this report.

7. Risk Implications

7.1 There are no risk implications arising as a result of this report.

8. Recommendation

8.1 Audit Committee are asked to consider the matters raised in the report.

Is this a key decision?

No

Do the exempt information categories apply?

No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?

No

How many appendices does the report contain?

One

List of Background Papers:

Statement of Accounts 2019/20 – Audit Committee
17th November 2020.

Lead Officer:

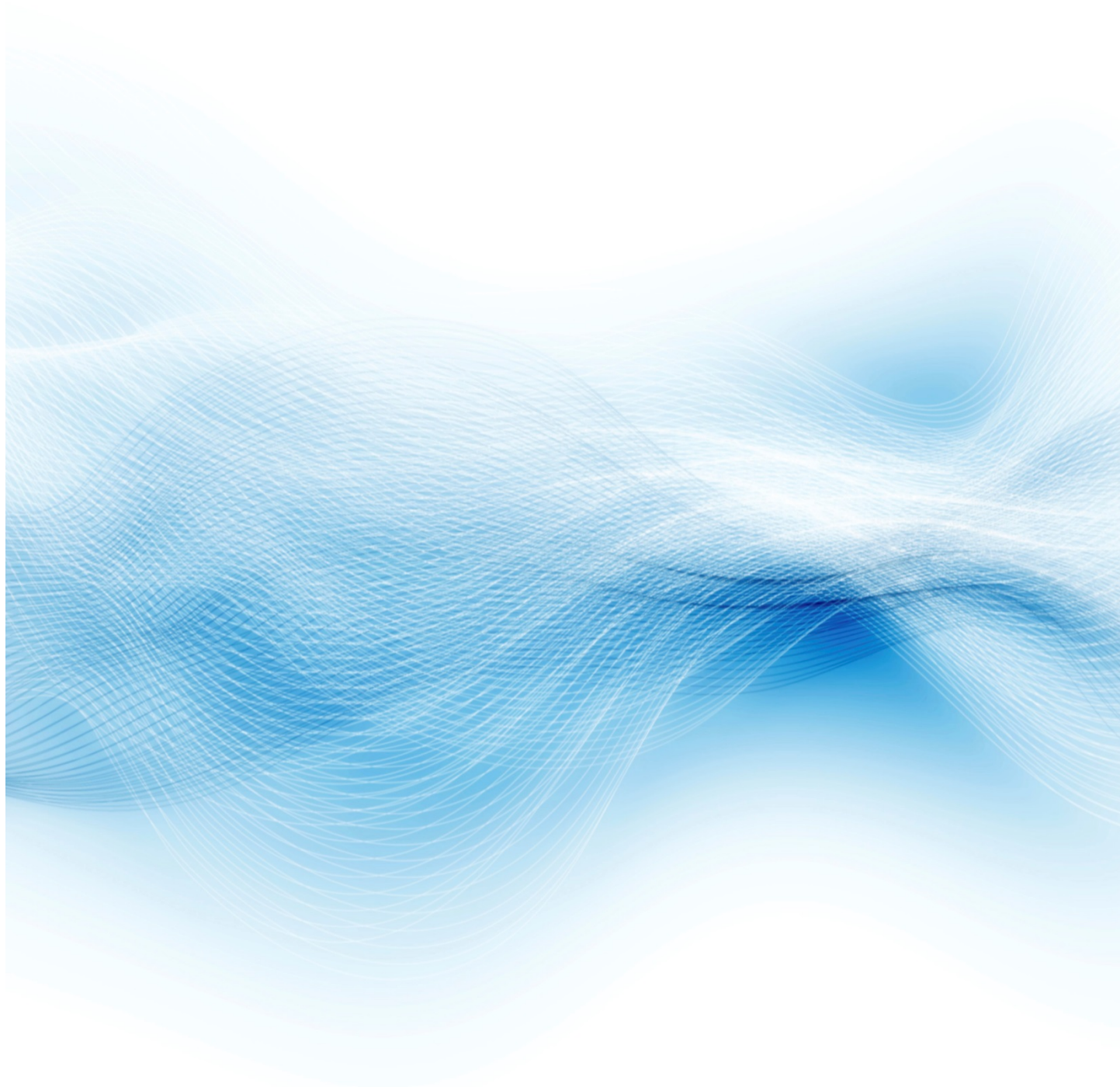
Jaclyn Gibson, Chief Finance Officer
Telephone (01522) 873258

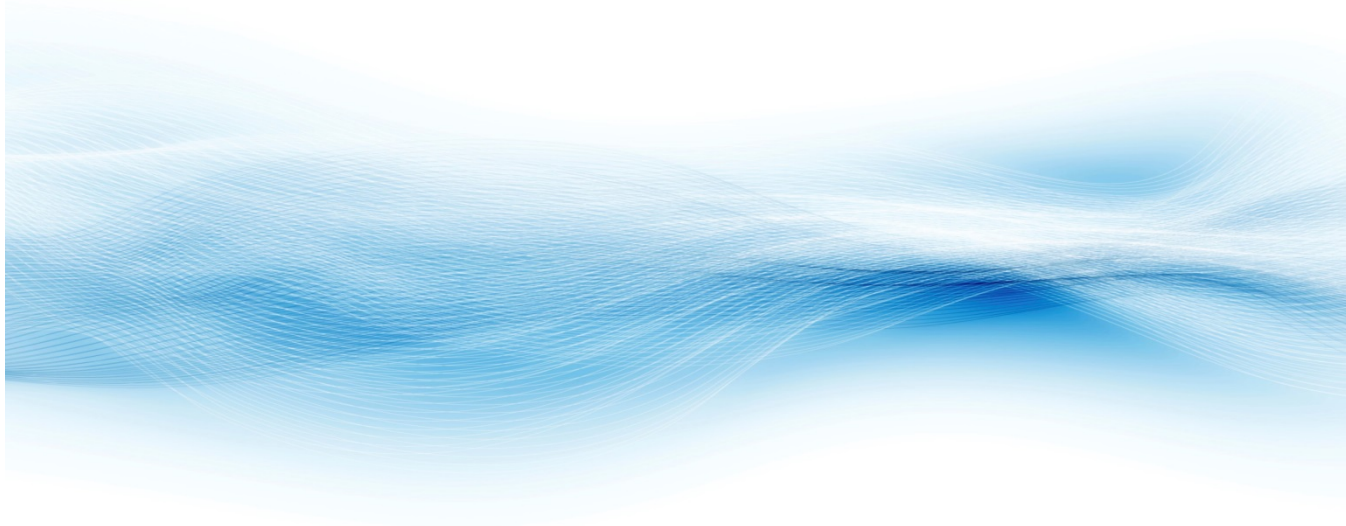
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Audit Completion Report

City of Lincoln Council

Year ended 31 March 2020





Contents

- 01** Executive summary
- 02** Audit approach
- 03** Significant findings
- 04** Internal controls recommendations
- 05** Summary of misstatements
- 06** Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

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.

Mazars LLP
2 Chamberlain Square
Birmingham
B3 3AX

Members of the Audit Committee
City of Lincoln Council
City Hall
Beaumont Fee
Lincoln
LN1 1DD

30 March 2021

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks, key audit matters and other areas of management judgement, was outlined in our Audit Strategy Memorandum dated 27 February 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks, key audit matters and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Fund was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me at mark.surrige@mazars.co.uk.

Yours faithfully



Mark Surrige
Mazars LLP

Mazars LLP – 2 Chamberlain Square, Birmingham, B3 3AX
Tel: +44 (0)121 232 9500 – Fax: +44 (0)121 253 9501 – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73



1. Executive summary

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of City of Lincoln Council ('the Council') for the year ended 31 March 2020.

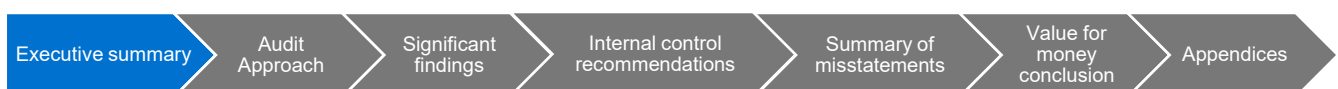
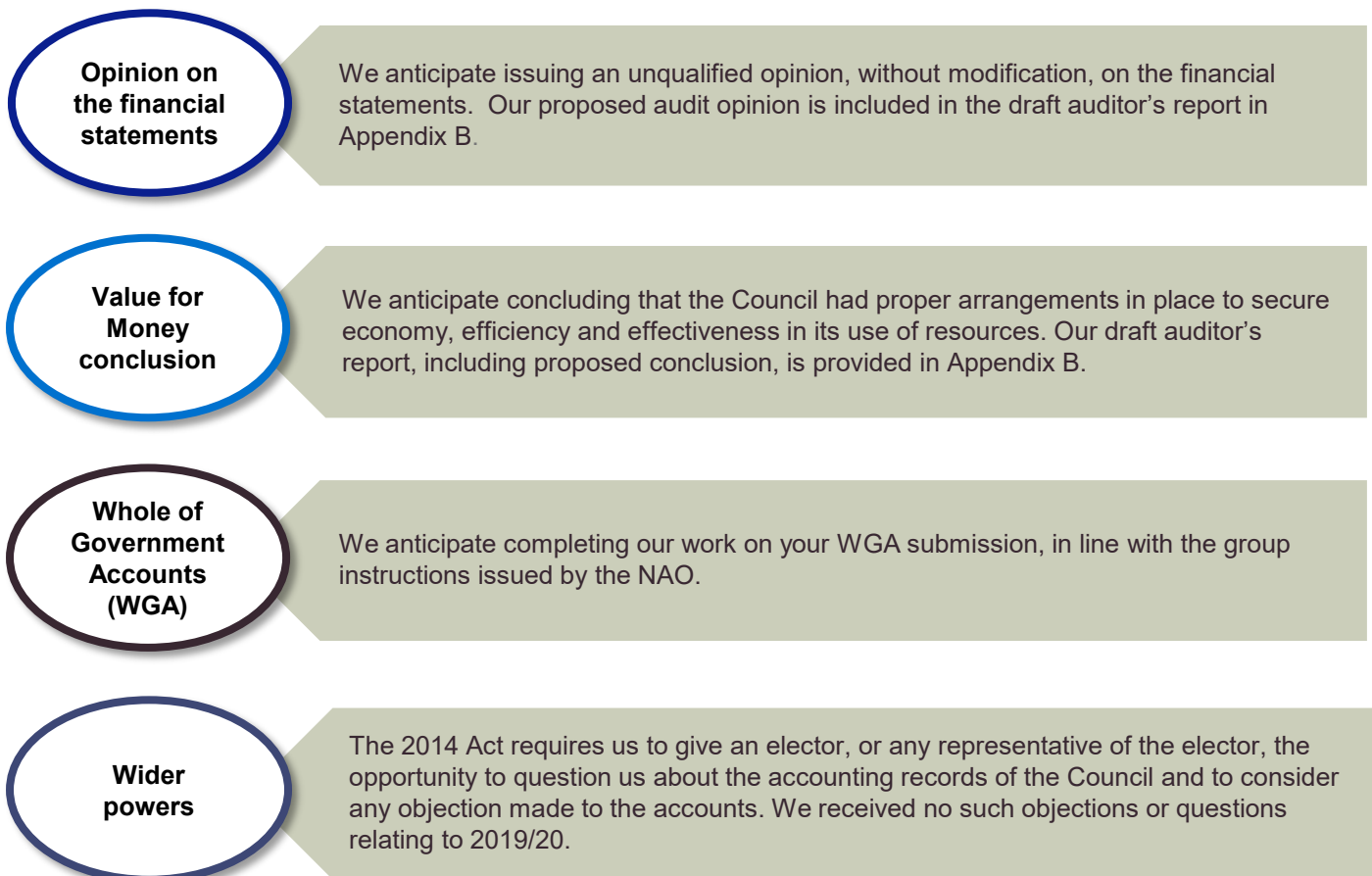
The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 3 and 6 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 3 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control;
- Revenue recognition in relation to fees and charges;
- Valuation of property, plant and equipment, investment properties and assets held for sale; and
- Valuation of net defined benefit liability.

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:



1. Executive summary (continued)

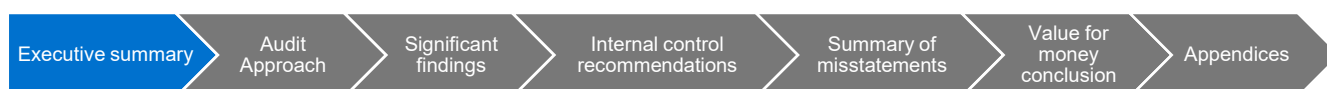
Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report there are no significant matters outstanding.

Misstatements and internal control recommendations

Section 4 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 5 outlines the misstatements noted as part of our audit.



2. Audit approach

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £1,800k using a benchmark of 1.5% of total gross expenditure at the surplus/deficit on provision of services level. Our final assessment of materiality, based on the final financial statements and qualitative factors is £1,642k, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee, at £49k based on 3% of overall materiality).

We confirm that there were no qualitative factors which we considered when setting the level of materiality.

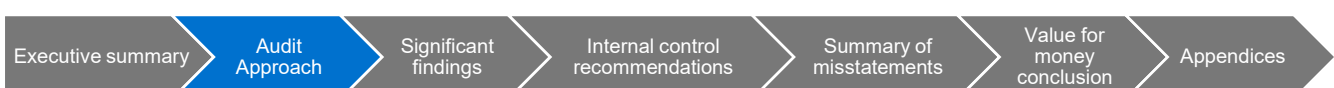
We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We set specific materiality for the following items of account/disclosures:

Item of account/disclosure	Specific materiality
Officers' remuneration bandings (Note 35)	£5,000*
Termination payments (Note 35)	£13,000
Members allowances (Note 34)	£61,000
External audit costs (Note 36)	£9,000

- Reflecting movement from one salary band to another

Key summary of audit approach and findings

We have summarised the key information regarding our approach, risks and significant findings for the Comprehensive Income and Expenditure Statement and Balance Sheet in the tables over the page. Further information on the findings are provided in section 3.



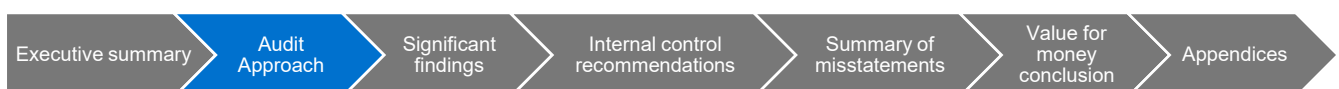
2. Audit approach (continued)

Comprehensive Income and Expenditure Statement

Account area	Material misstatement risk	Risk description	Key Audit Matter	Changes to audit approach	Sufficiency of controls	Significant audit findings
Net Cost of Services	Significant	Revenue recognition risk	No	None	●	Adjusted and unadjusted misstatements
Other operating expenditure	Standard	-	-	None	●	Adjusted misstatement
Financing and investment I&E	Standard	-	-	None	●	Adjusted misstatement
Taxation and non-specific grant I&E	Standard	-	-	None	●	None
Other comprehensive I&E	Standard	-	-	None	●	Adjusted and unadjusted misstatements

Sufficiency of controls

- High-priority control deficiency noted
- Low-priority control deficiency noted
- Medium-priority control deficiency noted
- No control deficiency noted / not evaluated



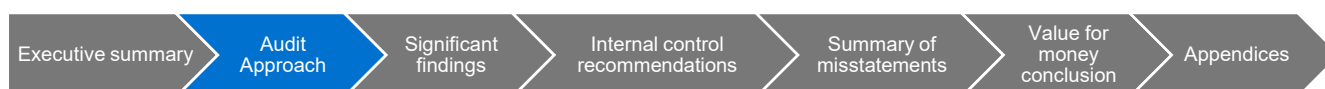
2. Audit approach (continued)

Balance Sheet

Account area	Material misstatement risk	Risk description	Key Audit Matter	Changes to audit approach	Sufficiency of controls	Significant audit findings
Property, plant and equipment	Significant	Valuation risk	Yes	None	●	None
Heritage assets	Standard	-	-	None	●	Adjusted misstatement
Investment properties	Significant	Valuation risk	Yes	None	●	None
Assets held for sale	Significant	Valuation risk	Yes	None	●	None
Investments	Standard	-	-	None	●	None
Short term debtors	Significant	Revenue recognition risk	No	None	●	None
Cash and cash equivalents	Standard	-	-	None	●	None
Short term creditors	Standard	-	-	None	●	None
Borrowings	Standard	-	-	None	●	None
Provisions	Standard	-	-	None	●	None
Other long term liabilities	Significant	Valuation risk (Net Pension Liability)	Yes	None	●	Unadjusted misstatement
Reserves	Standard	-	No	None	●	Adjusted misstatement

Sufficiency of controls

- High-priority control deficiency noted
- Medium-priority control deficiency noted
- Low-priority control deficiency noted
- No control deficiency noted / not evaluated



3. Significant findings

Set out below are the significant findings from our audit. These findings include:

- our findings on key audit matters, including:
 - why the matter was considered to be one of the most significance in the audit and therefore determined to be a key audit matter;
 - how the matter was addressed in the audit including a summary of our response;
 - where relevant, key observations arising with respect to each matter; and
 - a clear reference to the relevant disclosures in the financial statements
- 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. On page 13 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; and
- any significant difficulties we experienced during the audit.

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

Key audit matters

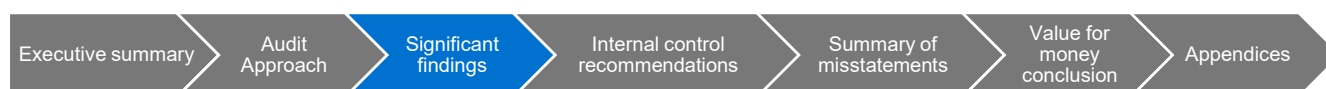
Valuation of property, plant and equipment, investment properties and assets held for sale

Description of the key audit matter

The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle, with investment properties and assets held for sale being revalued annually.

The valuation of these assets involves the use of two management experts (the valuers) and incorporates assumptions and estimates which impact materially on the reported values. There are audit risks relating to the valuation process. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value. In addition, as some of the valuations are undertaken at the start of the year, there is a risk that the fair value of the assets may be materially different at the year end.

Council dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing (EUV-SH). The Social Housing adjustment factor is prescribed in MHCLG guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Council's area they can use their more accurate local factor. There is a risk that the Council's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence.



3. Significant findings (continued)

Valuation of property, plant and equipment, investment properties and assets held for sale (continued)

How we addressed the key audit matter

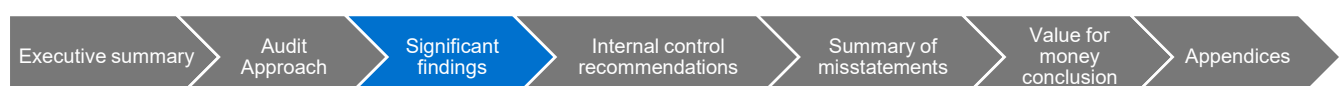
We have:

- Obtained an understanding of the skills, experience and qualifications of the valuers, and considered the appropriateness of the instructions to the valuers from the Council;
- Obtained an understanding of the basis of valuation applied by the valuers in the year;
- Obtained an understanding of the Council's approach to ensure that assets not subject to revaluation in 2019/20 are materially fairly stated;
- Obtained an understanding of the Council's approach to ensure that assets revalued through 2019/20 are materially fairly stated at the year end;
- Sample tested the completeness and accuracy of underlying data provided by the Council and used by the valuers as part of their valuations;
- Used relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2020;
- Obtained an understanding of the valuers' consideration of RICS guidance on material uncertainty relating to valuations, and considered whether there was evidence of material uncertainty; and
- Tested the accuracy of how valuation movements were presented and disclosed in the financial statements.

Observations and conclusions

We obtained sufficient appropriate evidence to conclude that the valuation of property, plant and equipment, investment properties and assets held for sale included in the financial statements is reasonable.

We draw attention to Note 4 of the financial statements, which discloses a material valuation uncertainty relating to the valuation of the Council's property, plant and equipment, investment properties and assets held for sale. We have included reference to this disclosure in our audit report at Appendix B but highlight that our audit opinion is not modified in respect of this matter.



3. Significant findings (continued)

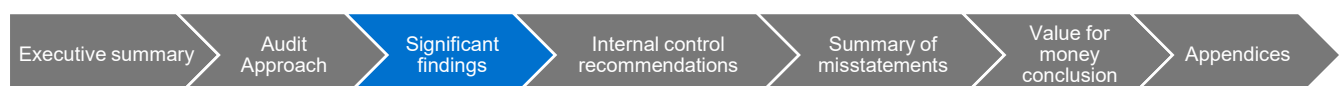
Valuation of net defined benefit liability

Description of the key audit matter

The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of the Lincolnshire Pension Fund, which had its last triennial valuation completed as at 31 March 2019. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.

In addition our work considered two issues that emerged through 2020. In July 2020, MHCLG consulted on the proposed remedy for the 'McCloud' case, an estimate of which was originally included in the Council's liability in 2018/19. The proposed remedy indicates that the actuarial estimate of the original liability made in 2018/19 was likely to be overstating the pension fund liability but not materially. A second emerging issue this year is the 'Goodwin' case which also relates to groups of pension fund members suffering discrimination. In both issues, we engaged with the Council's actuary and reviewed the evidence provided by the pension fund and the Council's actuary in order to conclude on the material accuracy of the liability.



3. Significant findings (continued)

Valuation of net defined benefit liability (continued)

How we addressed the key audit matter

We have:

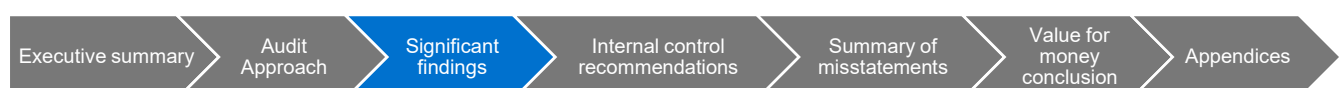
- Obtained an understanding of the skills, experience and qualifications of the actuary, and considered the appropriateness of the instructions to the actuary from the Council;
- Obtained confirmation from the auditor of the Lincolnshire Pension Fund that the controls in place at the Pension Fund are operating effectively. This included the controls in place to ensure data provided to the actuary by the Pension Fund for the purposes of the IAS19 valuation of the gross asset and liability is complete and accurate;
- Reviewed a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluated whether the outcome of their work would affect our consideration of the Council's share of Pension Fund assets. The Pension Fund auditor work included comparing the asset values used for the actuarial valuation to those subjected to audit by the Pension Fund auditor;
- Reviewed the actuarial allocation of Pension Fund assets to the Council by the actuary, including comparing the Council's share of the assets to other corroborative information;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodology applied by the actuary, and the key assumptions included within the valuation. This included comparing it to expected ranges, utilising information provided by PwC LLP, consulting actuary engaged by the National Audit Office; and
- Agreed the data in the IAS 19 valuation report provided by the actuary for accounting purposes to the pension accounting entries and disclosures in the financial statements and considered the implications of the revised IAS 19 valuation report on the Council's disclosures.

Observations and conclusions

We obtained sufficient appropriate evidence to conclude that the valuation of the net defined benefit pension liability included in the financial statements is reasonable.

Whilst a revised actuarial report was obtained to incorporate the estimate of the proposed 'McCloud' and 'Goodwin' remedies its impact on the financial statements was judged by the Council to be not material. Consequently the financial statements have not been amended to reflect this updated estimate and an unadjusted misstatement is reported in Section 5.

We draw attention to Note 4 of the financial statements, which discloses the material uncertainty, disclosed in the Lincolnshire Pension Fund accounts, relating to the valuation of the Pension Fund property investment assets. The valuation of the Council's share of the Pension Fund property investment assets as disclosed in Note 44 is £11.48m. We have included reference to this disclosure in our audit report at Appendix B but highlight that our audit opinion is not modified in respect of this matter.



3. Significant findings (continued)

Significant risks

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.

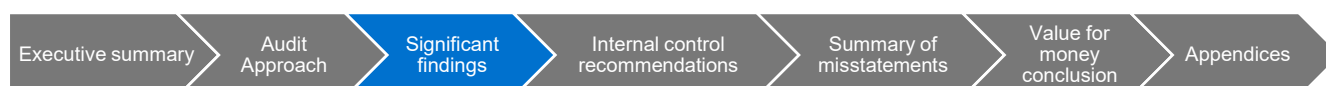
How we addressed this risk

We addressed this risk through performing audit work over:

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

Audit conclusion

There are no matters arising from the areas of our work completed against this risk.



3. Significant findings (continued)

Revenue recognition

Description of the risk

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition although, based on the circumstances of each audit, this is rebuttable.

Having considered the factors for revenue recognition and the Council's revenue streams, we have concluded that this can be rebutted with the exception of fees and charges. In this respect, we believe the risk is focused on the year-end position and in particular the cut-off of revenue.

This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.

How we addressed this risk

We addressed this risk through performing audit work over:

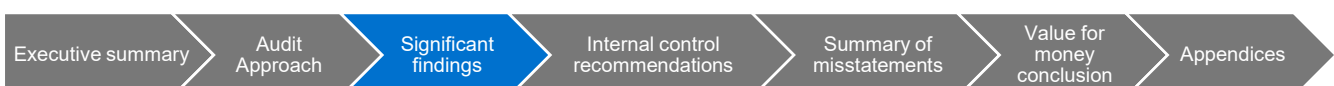
- Evaluating the design and implementation of controls to mitigate the risk of material manual debtors being recognised in the wrong period;
- Testing material manual debtors to ensure that they are supported by sufficient and appropriate evidence and have been accounted for correctly;
- Testing from receipts pre and post year-end to ensure revenue has been posted to the correct period; and
- Testing material year end journals.

Audit conclusion

There are no matters arising from the areas of our work completed against this risk.

Valuation methods

We are required by International Standard on Auditing 260 to report to the Audit Committee the methods of valuation the Council has adopted in its financial statements and whether there have been any changes in those valuation methods. We have set out in this section the valuation methods for property, plant and equipment, investment properties, assets held for sale and the net defined benefit pension liability. There are no changes in the valuation methods from the previous year. The other balance sheet categories have been valued in accordance with the CIPFA Code of Practice on Local Authority Accounting and applicable International Financial Reporting Standards. There are no changes in those valuation methods from the previous year.



3. Significant findings (continued)

Qualitative aspects of the Council's accounting practices

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting (the 'Code'). We have considered the appropriateness of the use of the going concern assumption and have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 31 August 2020. Both staff turnover during the year and the consequential impacts of staff absences and re-deployments as a result of the Covid-19 pandemic, led to increased pressure on finance staff during the accounts production cycle. Whilst draft accounts were produced by the revised statutory deadline there were:

- The incidence of a significant number of misstatements being identified;
- Numerous casting errors;
- Inconsistencies between amounts recorded on the primary statements and those detailed in supporting notes; and
- Inconsistencies between inter-related figures.

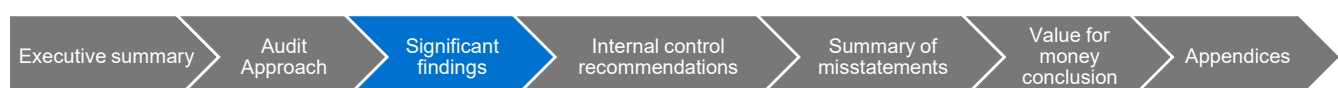
We noted improvements in working papers over the previous year, although further work is required to ensure all working papers meet the consistent standard. It is imperative that the Council takes the steps necessary to re-establish robust arrangements and staffing to support the 2020/21 year end and we have raised a recommendation relating to this area of improvement in Section 4.

Significant matters discussed with management

The significant matters we discussed with management during the audit included:

- The impact of Covid-19 on the entity's business, including potential impact on risks of material misstatement, notably:
 - Valuation uncertainty
The Council's valuers have followed RICS guidance and, as expected, their valuation reports conclude that, due the impact of Covid-19 on the property market, there is 'material uncertainty' over the valuation of land and buildings, investment properties and assets held for sale at the balance sheet date. This extends to property assets held by the Pension Fund.
 - Going concern
The Council's going concern status is confirmed through the 2019/20 local government accounting code, and must also follow International Accounting Standard (IAS) 1: Presentation of financial statements. We must comply with a revised ISA (UK) 570 Going Concern, effective for periods commencing on or after 15 December 2019. The above, combined with the impact of Covid-19, means an additional level of scrutiny is required over the going concern assertion in 2019/20. In particular management's explicit considerations of whether the financial statement disclosure for going concern should more explicitly describe the impact of Covid-19.

This is also a matter for consideration as part of our work on the value for money conclusion.
 - Financial instruments
Whilst the Government has introduced a number of measures to ease financial hardship, the Council needed to consider the impact on expected credit losses or the impairment of financial assets.



3. Significant findings (continued)

- Sources of estimation uncertainty
The Council is required to provide disclosures regarding the key sources of estimation uncertainty that management has made in preparing the financial statements, specifically those with a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the ensuing financial year.
- The Council's response to relevant legal cases which impact on the valuation of pension fund liabilities, notably:
 - McCloud and Sargeant
In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' and 'Sargeant' cases. This indicates that the approach adopted for 2018/19 and 2019/20 is likely to have led to an overstatement of the pension fund liability as at 31 March 2020.
 - Goodwin
The Goodwin case brought against the Secretary of State for Education earlier this year regarding discrimination owing to sexual orientation in the Teachers' Pension Scheme. MHCLG have commissioned the Government Actuary Department to undertake a review of the potential impact and at a local level, there is an additional risk to evaluate as to whether the scheme is materially misstated.
- The accounting treatment in respect of a material heritage asset, where we identified that effective control of the asset had passed from the Council to a third party. As the date of this control passing occurred a number of years ago the removal of this asset from the Council's financial statements has been effected through a Prior Period Adjustment, with a restatement of asset and revaluation reserve balances for prior periods.

In addition, as a result of independent quality reviews of audit suppliers' work, in particular by the Financial Reporting Council, we have increased the level of work we carry out on defined benefit pension schemes and the valuation of property, plant and equipment, investment properties and assets held for sale. This and other issues emerging during the year have had an impact on the level of work and time required to complete the audit and we will discuss any fee variation request with management on completion of our audit work and update the Committee. All fee variation requests are subject to approval from PSAA.

Significant difficulties during the audit

The impact of the Covid-19 pandemic on the audit was significant. Although we have had the full co-operation of the finance team and management through the audit, the pandemic has posed a number of logistical challenges in completing the audit, including staff availability and access to the Council's staff, assets and records. These issues are being resolved through the dedication and excellent support from the Council, but have delayed the audit significantly.

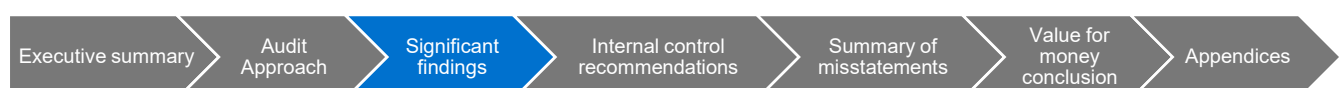
Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 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. We have not received any questions or objections during our audit from electors.



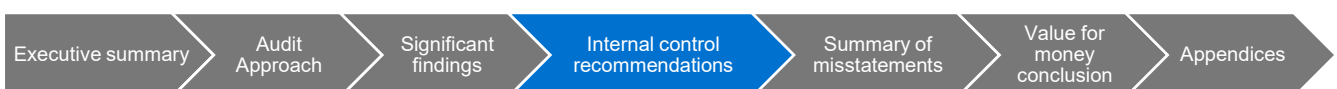
4. Internal control recommendations

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

The matters 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
1 (high)	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.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	3
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0



4. Internal control recommendations (continued)

Significant deficiencies in internal control – Level 1

There were no significant deficiencies in internal control arising from our 2019/20 audit.

Other deficiencies in internal control – Level 2

Description of deficiency

Expected Credit Loss Model

Our review of the Council's debt impairment calculations have confirmed that these are not in accordance with its stated accounting policy which establishes the use of the expected credit loss model as required under IFRS 9 and the CIPFA Code.

Potential effects

The Council is not fully complying with the requirements of current accounting standards and the CIPFA Code. This may lead to the incorrect debt impairment figure being calculated and disclosed within the financial statements.

Recommendation

The Council should review its approach to the calculation of its debt impairment to ensure that this accords with the requirements of IFRS 9 and the CIPFA Code.

Management response

The Council will review IFRS 9 and the CIPFA Code and will amend the working papers to ensure compliance in the calculation of the debt impairment.

Description of deficiency

Continuing Access to Active Directory Following Termination of Employment

Our review and testing of the Council's general IT arrangements identified a number of instances where leavers access rights on the Active Directory had not been removed promptly.

Potential effects

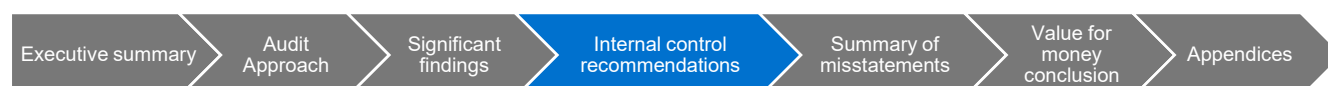
There is a risk of the Council's IT infrastructure assets being accessed inappropriately using the credentials of staff who have ceased employment with the Council.

Recommendation

The Council should review its approach for identifying and actioning the removal of Active Directory access following an employees termination of employment.

Management response

All managers have been reminded that they need to fill out the appropriate forms when members of the team leave the authority. IT are actioning any leavers notifications promptly.



4. Internal control recommendations (continued)

Description of deficiency

Production of draft accounts and working papers

Both staff turnover during the year and the consequential impacts of staff absences and re-deployments as a result of the Covid-19 pandemic, led to increased pressure on finance staff during the accounts production cycle, resulting in higher than expected levels of audit adjustments and impacting the quality of working papers.

Potential effects

The presentation of imbalanced accounts and poor quality working papers can lead to inefficiencies for both the Council and auditors, as staff time is required to investigate, discuss and resolve issues and may, in certain circumstances, lead to delays in the audit timescales.

Recommendation

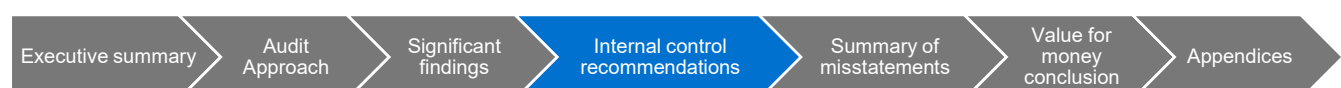
It is important that the Council takes the steps necessary to re-establish robust arrangements and staffing to support the 2020/21 year-end. Quality control procedures in respect of the accounts preparation process need to be strengthened and the Council, in its closedown procedures for 2020/21, should include sufficient time for a robust quality control process to be implemented.

Management response

Completion of the SOA and audit for 2019/20 was undertaken at a time when there were significant resource pressures on the Financial Services due to the Covid19 pandemic and a need to support the Council in its response phase. Alongside this officers were remotely working which created some early issues for the team, which were eventually resolved. There were also a number of complexities to the SOA created by the pandemic which required additional work to be undertaken. During the completion of the SOA and audit two members left the team as part of natural turnover. Taking these factors into account it is a testament to the team that the accounts were produced in time for the statutory deadline. It is acknowledged that due to these issues the quality of the working papers was not to the high standard we would expect. The Financial Services team are now fully staffed to support the 20/21 year end process and have ensured additional time is built into the closedown timetable for quality checking.

Other recommendations on internal control – Level 3

There were no other recommendations on internal control arising from our 2019/20 audit.



4. Internal control recommendations (continued)

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year

1. Production of draft accounts and working papers

The Council's finance team experienced turnover in several key posts during 2018/19. This resulted in a loss of detailed knowledge over particular aspects of the accounts production and ledger processes leading to increased pressure on staff time during the busy year-end period. Although the team managed to prepare a complete set of draft financial statements by the statutory deadline, which were received on 31 May 2019, these were of a standard that fell below our expectations.

Given the pressures on staff the working papers provided in support of the financial statements were also found to be variable in quality and in some instances fell below the standard we would expect to see.

2019/20 update

Whilst the finance team had started to make improvements in its internal processes staff absences and re-deployments as a result of the Covid-19 pandemic, and further staff vacancies has impacted it negatively. This has again led to deficiencies being noted in respect of the production of its 2019/20 financial statements and supporting working papers.

2. Incomplete disclosures for pension fund plan assets

The Council relies on its actuary to provide it with the information necessary to meet CIPFA's Code of Practice disclosure requirements, including the accurate split of its pension fund plan assets into various classifications. Our audit has identified that the information provided by the actuary for this note is inaccurate and does not provide a full analysis for the Council to produce its accounts note accurately.

2019/20 update

Early engagement with the actuary during 2019/20 by the finance team enabled this information to be commissioned from and provided by the actuary for the year.

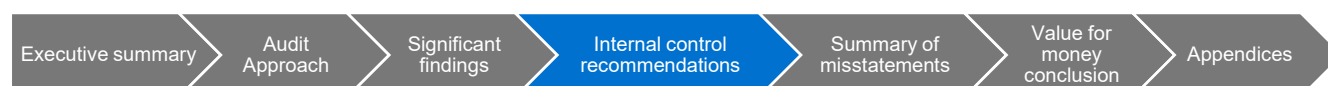
3. Investment property valuations

The Council is required to measure its investment properties at their fair value at the end of each reporting period. This fair value must reflect market conditions at the end of the reporting period and thus annual revaluations will be necessary unless the Council can demonstrate that the carrying value is not materially different from the fair value at that date.

Our testing has identified that the Council employs a rolling 5 year programme of valuations as at 1 April each year for its investment properties, supported by a material change review as at 31 March. This has resulted in 35 investment properties not being subject to a formal revaluation during the course of the year, and represents a departure from the stated accounting policy in respect of these assets.

2019/20 update

The Council has updated its policy to ensure that a full revaluation of its investment properties is undertaken each year.



5. Summary of misstatements

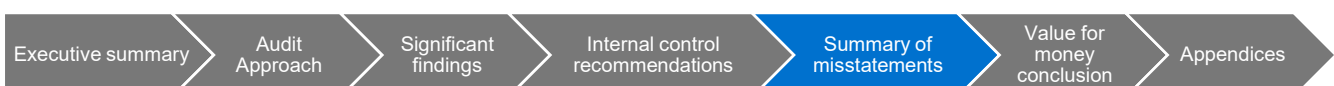
We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £49k.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2019/20

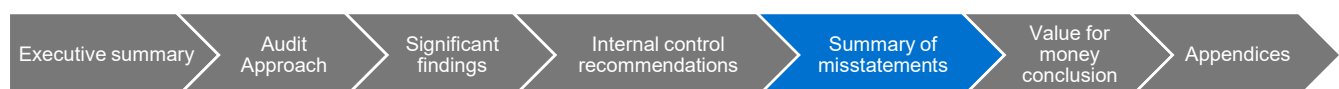
	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Property, plant and equipment			86	
Cr: Unusable reserves – Revaluation reserve				86
<i>The Council incorrectly calculated its required re-valuation adjustment in respect of a single asset. This error also has consequential impacts for the Movement in Reserves Statement and Other Comprehensive Income and Expenditure.</i>				
2 Dr: Unusable reserves – Pensions reserve			340	
Cr: Other long term liabilities				340
Dr: MiRS – General fund – Adjustments			100	
Cr: Corporate services – Gross expenditure				
		100		
<i>The net pensions liability decreased following the receipt of an updated IAS 19 report to reflect the impact of the Goodwin and changes to the remedy for the McCloud legal cases. This error also has consequential impacts for the Movement in Reserves Statement, the cash flow statement, the Expenditure and Funding Analysis and Notes 7, 7A, 8, 9, 26, 28 and 44.</i>				
Total unadjusted misstatements	0	100	526	426



5. Summary of misstatements (continued)

Adjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1			48	
Dr: Unusable reserves – Capital adjustment account				
Dr: MiRS Major repairs reserve – Adjustments			6,742	
Cr: MiRS Major repairs reserve – Transfers to earmarked reserves				6,790
Dr: MiRS Capital receipts reserve – Adjustments			150	
Cr: MiRS Capital receipts reserve – Transfers to earmarked reserves				150
<i>The Council incorrectly reported its Movement in Reserves adjustments within other account entries. This error also has consequential impacts for Notes 9, 14, 26b, 39, HRA 3, HRA 4 and HRA 6.</i>				
2				
Dr: HRA – Gross expenditure	25			
Cr: Corporate services – Gross expenditure		2,766		
Dr: Other operating expenditure	22			
Dr: Financing and investment income and expenditure	2,719			
<i>The Council incorrectly disclosed the movements on its Investment Properties within Net Cost of Services and Other Operating Expenditure rather than including these within Financing and Investment Income and Expenditure. This error also has consequential impacts on the Expenditure and Funding Analysis and Notes 11, 12, and 32.</i>				
3				
Dr: Unusable reserves – Revaluation reserve			3,185	
Cr: Heritage assets				3,185
<i>The Council incorrectly included a Heritage Asset within its financial statements that should have been removed following a re-consideration of the effective control of the asset. This error also has consequential impacts for the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement and Notes 1, 15 and 26a. Additionally this adjustment has necessitated the inclusion of a prior period adjustment.</i>				

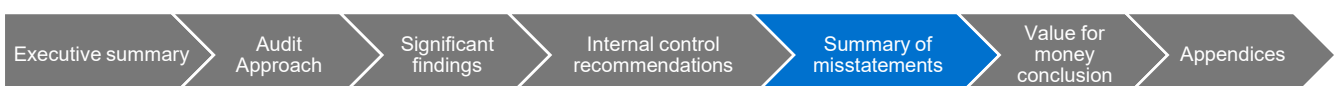


5. Summary of misstatements (continued)

Disclosure amendments

In addition to the above numerical errors that relate directly to the primary statements or their related notes, the Council has made a number of amendments to the disclosures in the financial statements. Among these were contextual or presentational adjustments made to:

- Amend the disclosure of Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement by £2,040k to reflect the corresponding figure reported in the Movement in Reserves Statement;
- Correct the Expenditure and Funding Analysis and related disclosures in Notes 7 and 7A to reflect the transactions of the Council;
- Amend the analysis of Expenditure by Nature in Note 8;
- Amend the analysis of Taxation and Non-Specific Grant Income in Note 13 with a further adjustment to Note 37;
- Amend the analysis of Non-Current Asset movements and valuation profile in Note 14;
- Amend some of the disclosure entries in Notes 18 and 47 to reflect the correct categorisation and reporting of the Council's Financial Instruments;
- Amend the analysis of Debtors and Creditors in notes 20 and 23 to reflect the balances reported on the Balance Sheet;
- Amend the analysis of Revaluation Reserve movements in Note 26a;
- Amend the analysis of Financial Instruments Revaluation Reserve movements in Note 26e;
- Amend the analysis of Cash Flow movement in Notes 27, 28, 29, 30 and 31;
- Amend the analysis of Officers' Emoluments and Exit Packages in Note 35;
- Amend the analysis of Capital Expenditure and Financing in Note 39;
- Amend the analysis of Pension Fund Assets in Note 44; and
- Amend the analysis HRA transactions in HRA Notes 1, 4 and 5.



6. Value for money conclusion

Our approach to Value for Money

We are required to form a conclusion as to 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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making;
- Sustainable resource deployment; and
- Working with partners and other third parties

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate.

In our Audit Strategy Memorandum, we reported that we not identified any significant risk to our VFM Conclusion. We continually assess whether any matters come to our attention through the course of our audit that lead us to conclude that a risk to our VFM conclusion does exist. Based on our updated assessment, we are satisfied that no additional Significant VFM Risks have arisen relating to the 2019/20 VFM Conclusion.

We do however, have the following matters to note.

Covid-19 and financial resilience

On 27 July, Executive received the financial outturn for 2019/20, which set out a provisional overspend of £0.1m on the General Fund and £0.1m underspend against budget on the HRA.

Prior to Covid-19 and lockdown, in March 2020, the Council adopted a net General Fund revenue budget of £13.0m and a Medium Term Financial Strategy that identified the requirement to achieve recurrent savings of £1.3m by 2022/23. At this time the Council's General Fund and earmarked reserves per the draft financial statements were £2.2m and £11.6m respectively.

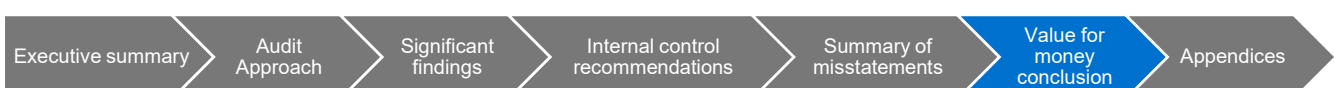
Subsequent monitoring of the Council's delivery of its 2020/21 General Fund financial plan, as reported to the Council's Executive, showed that at the end of quarter 1 an overspend of some £0.1m was forecast rising to £0.2m at quarter 2. Following the implementation of a number of successful remedial measures the latest quarter 3 position is predicting an underspend of some £0.1m for the year. Whilst we note that there are a significant number of forecast year-end variations in income and expenditure against the approved budget, these are as a result of the impact of Covid-19 and the measures taken to address its impact including the financial support provided by Government. The Council continues to monitor and respond to the impact of Covid-19 on its finances and service provision, and the full impact of this will be considered as part of our 2020/21 VFM conclusion work.

Despite the impact of Covid-19 the Council's savings and transformation plans remain on track with recurrent savings of £0.6m being delivered in 2020/21 making a significant contribution towards achieving its target of £1.3m by 2022/23. Despite this delivery the Council's latest Medium Term Financial Strategy indicates that some reliance on revenue reserves may be required as a short term measure whilst savings are delivered in order to maintain a balanced budget.

As noted above, we have not judged there to be a significant weakness in the Council's arrangements supporting the VFM Conclusion for 2019/20.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.



Appendix A

Draft Management Representation letter

Mazars LLP
45 Church Street
Birmingham
B3 2RT

8 February 2021

Dear Sirs

City of Lincoln Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of City of Lincoln Council (the 'Council') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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 myself that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts 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 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.

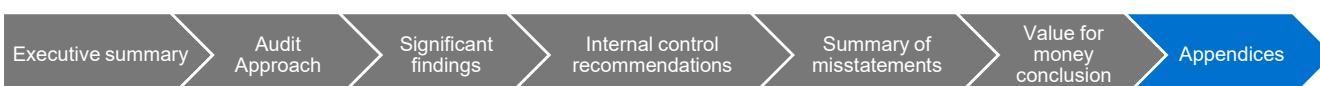
As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

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.



Appendix A

Draft Management Representation letter (continued)

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 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).

Material Valuation Uncertainty

The outbreak of COVID-19, has impacted global financial markets and as such identified that less weight can be attached to the previous market evidence for comparison purposes and to inform opinions of value. The current response to COVID-19 has resulted in an unprecedented set of circumstances on which to base judgement, resulting in the valuations recognised within the Statement of Accounts being reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market. I am satisfied that sufficient and appropriate disclosures have been made in the Statement of Accounts to reflect the impact of 'material valuation uncertainty' on the Council's assets.

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.

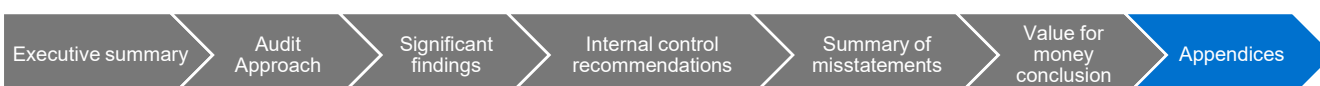
There are no contingent gains which should be disclosed.

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.



Appendix A

Draft Management Representation letter (continued)

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.

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:
 - o management and those charged with governance;
 - o employees who have significant roles in internal control; and
 - o 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 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. I have considered the impact of COVID-19 on the Council's Investment Properties. 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.

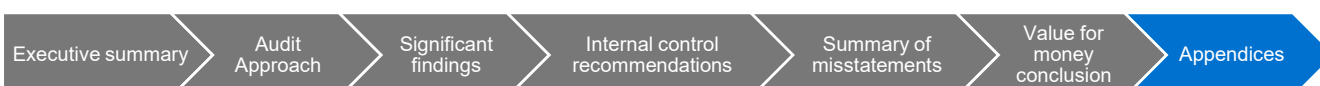
Subsequent events

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.

COVID-19

We confirm that we have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.



Appendix A

Draft Management Representation letter (continued)

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.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

I have updated our going concern assessment in light of the COVID-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Annual Governance Statement

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

Narrative report

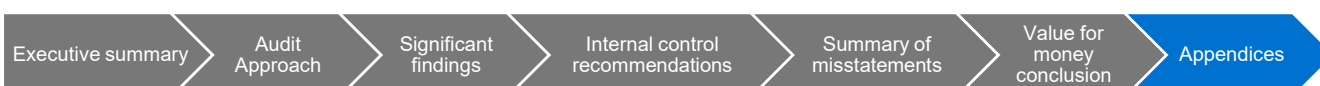
The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements

Unadjusted misstatements

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

Yours faithfully

Jacyln Gibson
S151 Officer



Appendix B

Draft Auditor's report

Independent auditor's report to the members of City of Lincoln Council

Report on the financial statements

Opinion

We have audited the financial statements of City of Lincoln Council for the year ended 31 March 2020, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of City of Lincoln Council as at 31st March 2020 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 2019/20.

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 as applicable to public interest entities, 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.

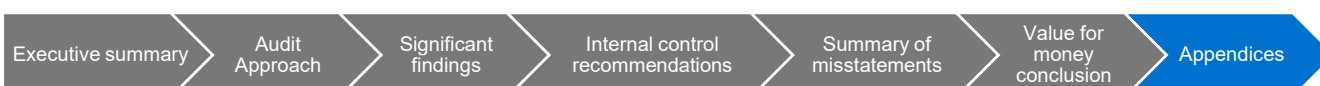
Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of property, plant and equipment, investment properties, assets held for sale and pension fund property investment assets

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's property, plant and equipment, investment properties, assets held for sale and the valuation of the Council's share of Lincolnshire Pension Fund's property investment assets. As disclosed in Note 4 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



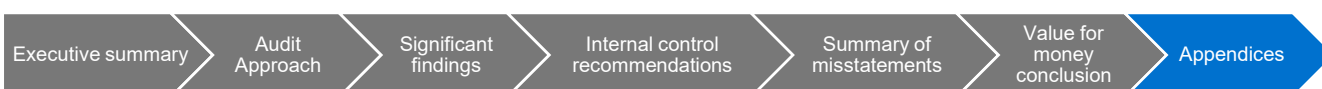
Appendix B

Draft Auditor's report (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

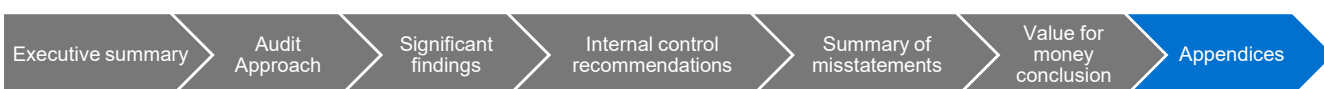
Key audit matter	Our response and key observations
<p>Valuation of property, plant and equipment, investment properties and assets held for sale</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle, with investment properties and assets held for sale being revalued annually.</p> <p>The valuation of these assets involves the use of two management experts (the valuers) and incorporates assumptions and estimates which impact materially on the reported values. There are risks relating to the valuation process. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value. In addition, as some of the valuations are undertaken at the start of the year there is a risk that the fair value as the assets is materially different at the year end.</p> <p>Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing (EUV-SH). The Social Housing adjustment factor is prescribed in MHCLG guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Council's area they can use their more accurate local factor. There is a risk that the Council's application of the valuers' assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the instructions to the valuer from the Council; • Obtaining an understanding of the basis of valuation applied by the valuer in the year; • Obtaining an understanding of the Council's approach to ensure that assets not subject to revaluation in 2019/20 are materially fairly stated; • Obtaining an understanding of the Council's approach to ensure that assets revalued through 2019/20 are materially fairly stated at the year end; • Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations; • Using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2020; • Obtaining an understanding of the valuers' consideration of RICS guidance on material uncertainty relating to valuations, and considering whether there was evidence of material uncertainty; and • Testing the accuracy of how valuation movements were presented and disclosed in the financial statements. <p>Key observation</p> <p>We obtained sufficient appropriate evidence to conclude that the valuation of property, plant and equipment, investment properties and assets held for sale included in the financial statements is reasonable.</p> <p>We draw attention to Note 4 of the financial statements, which discloses a material valuation uncertainty relating to the valuation of the Council's property, plant and equipment, investment properties and assets held for sale. Our opinion is not modified in respect of this matter.</p>



Appendix B

Draft Auditor's report (continued)

Key audit matter	Our response and key observations
<p>Valuation of net defined benefit liability</p> <p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of the Lincolnshire Pension Fund, which had its last triennial valuation completed as at 31 March 2019. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.</p> <p>In addition our work focused on two issues that emerged through 2020. In July 2020, MHCLG consulted on the proposed remedy for the 'McCloud' case, an estimate of which was originally included in the Council's liability in 2018/19. The proposed remedy indicates that the actuarial estimate of the original liability made in 2018/19 was likely to be overstating the pension fund liability but not materially. A second emerging issue this year is the 'Goodwin' case which also relates to groups of pension fund members suffering discrimination. In both issues, we engaged with the Council's actuary and reviewed the evidence provided by the pension fund and the Council's actuary in order to conclude on the material accuracy of the liability.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary from the Council; • Obtaining confirmation from the auditor of the Lincolnshire Pension Fund that the controls in place at the Pension Fund are operating effectively. This included the controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation of the gross asset and liability is complete and accurate; • Reviewing a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluating whether the outcome of their work would affect our consideration of the council's share of Pension Fund assets. The Pension Fund auditor work included comparing the asset values used for the actuarial valuation to those subjected to audit by the Pension Fund auditor; • Reviewing the actuarial allocation of Pension Fund assets to the Council by the actuary, including comparing the Council's share of the assets to other corroborative information; • Reviewing the appropriateness of the Pension Asset and Liability valuation methodology applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PwC LLP, consulting actuary engaged by the National Audit Office; and • Agreeing the data in the IAS 19 valuation report provided by the Pension Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the financial statements and considering the implications of the revised IAS 19 valuation report on the Council's disclosures. <p>Key observation</p> <p>We obtained sufficient appropriate evidence to conclude that the valuation of the defined benefit pension liability included in the financial statements is reasonable.</p> <p>We draw attention to Note 4 of the financial statements, which discloses a material valuation uncertainty relating to the valuation of the Council's share of the Lincolnshire Pension Fund's property investment assets. Our opinion is not modified in respect of this matter.</p>



Appendix B

Draft Auditor's report (continued)

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures, and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1,642k
Basis for determining materiality	1.5% of gross expenditure at the Surplus/Deficit on Provision of Services level
Rationale for benchmark applied	Gross expenditure at the Surplus/Deficit on Provision of Services level was chosen as the appropriate benchmark for overall materiality as this is a key measure of financial performance for users of the financial statements
Performance materiality	£1,231k
Reporting threshold	£49k

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the Chief Finance Officer made subjective judgements such as making assumptions on significant accounting estimates.

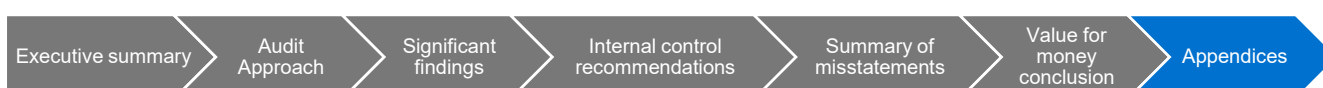
We gained an understanding of the legal and regulatory framework applicable to the Council and the sector in which it operates. We considered the risk of acts by the Council which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements. We focused on laws and regulations that could give rise to a material misstatement in the financial statements.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Council's accounting processes and controls and its environment, and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to:

- obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by irregularities including fraud or error;
- review of minutes of board meetings in the year; and
- enquiries of management.

As a result of our procedures, we did not identify any key audit matters relating to irregularities, including fraud.



Appendix B

Draft Auditor's report (continued)

The primary responsibility for the prevention and detection of irregularities including fraud rests with both Those Charged with Governance and management. 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.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under 'Key audit matters' within this report.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Chief Financial Officer for the financial statements

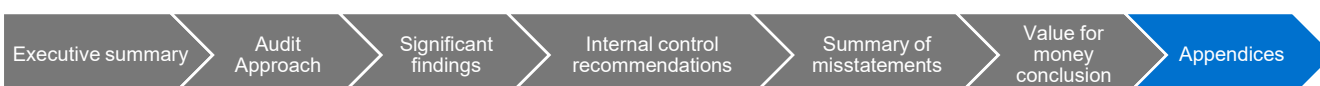
As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Financial Officer 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.

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.



Appendix B

Draft Auditor's report (continued)

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.

Conclusion on City of Lincoln Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, City of Lincoln Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

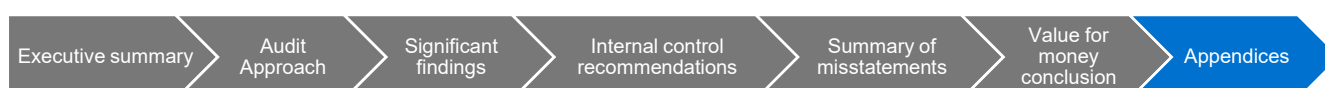
We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. 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.



Appendix B

Draft Auditor's report (continued)

Other matters which we are required to address

We were appointed as the Council's auditor by Public Sector Audit Appointments Ltd, in its role as appointing person under the Local Audit (Appointing Person) Regulations 2015, on 14 December 2017. The period of total uninterrupted engagement, including previous renewals and reappointments of the firm, is two years covering the audit of the financial years ending 31 March 2019 to 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Council and we remain independent of the Council in conducting our audit.

In addition to the audit, we provided the following services to the Council during the period 1 April 2019 to 31 March 2020, that have not been disclosed separately in the Statement of Accounts:

- Assurance services on the Housing Capital Receipts Pooling return for 2018/19
- Assurance services on the Housing Benefit Subsidy return for 2018/19.

Our audit opinion is consistent with the additional report to the Audit Committee.

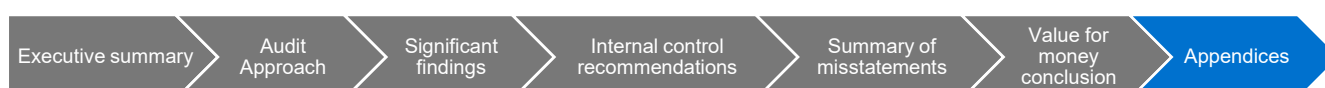
Use of the audit report

This report is made solely to the members of City of Lincoln 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.

Certificate

We certify that we have completed the audit of City of Lincoln Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Surridge
For and on behalf of Mazars LLP

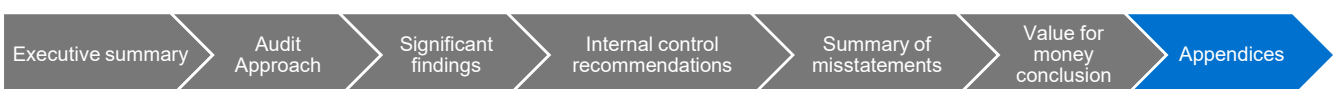


Appendix C

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.



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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.

*where permitted under applicable country laws

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