

CITY OF
Lincoln
COUNCIL

Chief Executive & Town Clerk

City Hall, Beaumont Fee

Lincoln, LN1 1DB

Telephone: (01522) 873387

Facsimile: (01522) 542569

Website: www.lincoln.gov.uk

Minicomms: (01522) 873693 - Reception

TO ALL AUDIT COMMITTEE MEMBERS

Democratic Services are dealing with this matter

Direct Line: (01522) 873619

E-Mail: democraticservices@lincoln.gov.uk

Date: 8 June 2022

AUDIT COMMITTEE - TUESDAY, 14 JUNE 2022

Dear Councillor,

Further to the previously issued agenda for the Audit Committee meeting of Tuesday, 14 June 2022, please find attached the following additional papers.

7. External Audit - Audit Planning Update 2021/22 and Progress Report
(Pages 3 - 18)
8. External Audit - Audit Completion Report 2020/21 - Follow Up Letter
(Pages 19 - 26)
9. External Audit - Annual Auditor's Report 2020/21 (Pages 27 - 46)

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

Yours faithfully,

Claire Turner
Democratic Services Officer

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SUBJECT: EXTERNAL AUDIT: AUDIT PLANNING UPDATE 2021/22 & PROGRESS REPORT

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 To present the External Audit Progress Report to Audit Committee.

2. Executive Summary

- 2.1 This report provides Audit Committee with an update on progress in delivering responsibilities of the External Auditors.

3. Background

- 3.1 The External Auditor provides periodic update reports to the Audit Committee. Mazars are currently appointed as the Council's External Auditor.

4. External Audit Progress Report

- 4.1 The External Audit progress report attached (Appendix A) covers the following areas:
- the 2021/22 audit and any significant matters to date: and
 - a summary of recent relevant national reports and publications.
- 4.2 External Audit will be in attendance at the meeting to present the progress report.

5. Strategic Priorities

- 5.1 There are no direct implications for the Council's strategic priorities. The external audit of the Council's financial statements and VFM conclusion is a statutory requirement and as such contributes towards the fitness for purpose of the Council's governance arrangements.

6. Organisational Impacts

- 6.1 Finance (including whole life costs where applicable)

The Audit fee for 2021/22 is £36,332, set in accordance with the scale fees set by the PSAA. The fee includes work on the VFM conclusion and the audit of the financial statements. In addition, an additional fee of £4,993 is charged in relation to the Council's status as an EU Public Interest Entity. Further separate agreement will be reached with Mazars regarding any additional fees for additional work required on property valuations, the net pension liability valuation, additional testing as a result of new auditing standards and any other matters.

6.2 Legal Implications including Procurement Rules

There are no direct legal implications. The External Auditor is required to satisfy themselves that the Council's accounts comply with statutory requirements and that proper practices have been observed in compiling them.

6.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

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

7. Risk Implications

- 7.1 There are no specific risk implications arising as a direct result of this report. The annual Audit Strategy Memorandum will set out the key risks, as identified by the External Auditor, relevant to the audit of the financial statements.

8. Recommendation

- 8.1 Audit Committee is asked to note the content of the latest External Audit Planning Update and Progress 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: None

Lead Officer: Jaclyn Gibson, Chief Finance Officer
Telephone (01522) 873258

Audit Planning Update 2021/22 and Progress Report

City of Lincoln Council

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Audit Committee June 2022



1. Audit Planning 2021/22 and Progress
2. National publications

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01

Section 01: **Audit Progress**

Purpose of this report

This report provides the Committee's June 2022 meeting with updates on:

- the 2021/22 audit and any significant matters to date; and
- recent relevant reports and publications for your information (Section 2).

2021/22 Audit

We have summarised in this report the for the Audit Committee the key planning issues for 2021/22.

Scope of the Audit and our responsibilities

The scope of our is unchanged engagement and is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>.

Our responsibilities continue to be are principally derived from the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

- Audit Opinion – giving an opinion on the 2021/22 Financial Statements
- Value for Money - forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources
- Electors' rights - The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom
- Reporting to the NAO - We report to the NAO on the consistency of the Council's financial statements and the matters arising from our audit which are relevant to the Council's Whole of Government Accounts (WGA) submission

Audit Engagement Team

Your audit engagement team is unchanged and continues to be lead by Mark Surridge (Director and Key Audit Partner) and Mike Norman (Senior Manager).

There will continue to be an Engagement Quality Control Reviewer appointed for this audit.

Audit Approach and timeline

Our audit approach is risk based; primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. The diagram below outlines the procedures we perform at the different stages of the audit and the indicative timeline at this stage based on the current national timetable.

There are no significant matters arising from the Planning and Interim visits to bring to the Committee’s attention. We will present the agreed Audit Strategy Memorandum to a future meeting of the Committee.

The completion of the audit has been significantly delayed in the last two years and one of the objectives for this year is to complete the audit in line with the national timetable. We will keep the Committee informed as the audit progresses.

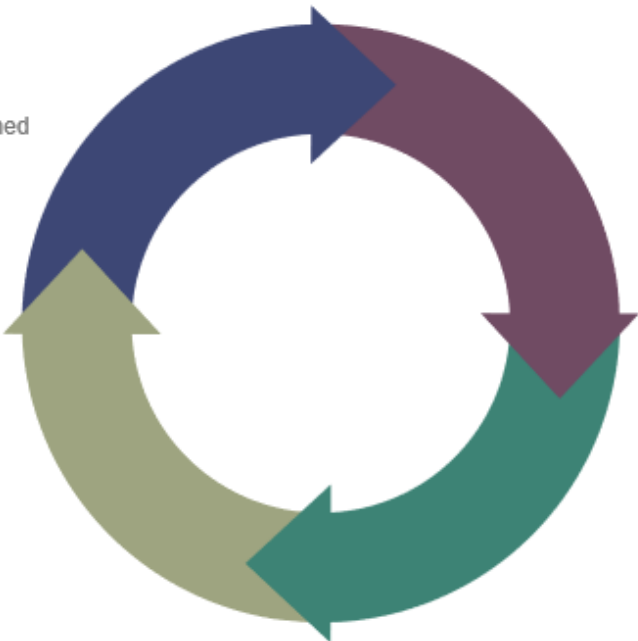
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Planning – March/April

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion – November **

- Final review and disclosure checklist of financial statements
- Final partner and EQCR review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor’s report



Interim – April/May

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork – July to September *

- Receiving and reviewing draft financial statements
- Technical review of financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

* Specific dates for the audit visits being confirmed with management to accommodate audit and client staff availability during this period. Expected to be a hybrid of on-site and remote working.

** Final completion is subject to, amongst other things, the timely provision of information by third parties and us being able to fully complete the audit procedures to the required quality standards.

Audit Reporting

Our main reporting outputs will continue to be:

- Audit Strategy Memorandum – summarising the outcomes from our audit planning and proposed response.
- Audit Completion Report – summarising the outcome of our main accounts audit and expected audit opinion.
- Audit Report – encompassing our Audit Opinion on the financial statements and other required information.
- Annual Auditor’s Report – including our Value for Money Commentary
- Audit Certificate – formally closing the audit

The Council had had £0.56m of listed debt as at 31 March 2022 and is designated as a Public Interest Entity (PIE), which includes organisations with transferable securities listed on EU regulated markets and governed by the law of an EU member. There are additional requirements at both the planning, fieldwork and the reporting stages of the audit, culminating in the longer-form audit report.

Significant Audit Risks

From the planning work so far we expect the significant audit risks (including those which will be reported on in our Audit Report as ‘Key Audit Matters’) to be as follows:

Significant Audit Risk	Description	Key Audit Matter?	Identified previous year?
Management override of controls	This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.	No	Yes
Property Valuation	Property related assets are a significant balance on the council’s balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements.	Yes	Yes
Valuation of net defined benefit liability	The Council’s accounts contain material liabilities relating to the local government pension scheme. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.	Yes	Yes
Expenditure recognition (focus on accruals and cut-off)	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector Practice Note 10 issued by the Financial Reporting Council (FRC), which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.	No	Yes

Materiality

We expect to again set materiality based on a benchmark of the Comprehensive Income and Expenditure Statement (CIES) total gross expenditure. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee. We do not expect to alter these thresholds compared to the previous year and plan to base them on the following levels:

Threshold	
Overall materiality	1.5% of benchmark
Performance materiality	75% of overall materiality
Specific materiality: <ul style="list-style-type: none">Officers' remuneration	£5k
Trivial threshold for errors to be reported to the audit committee	3% of overall materiality

⇒
Value for Money Work

We have not identified any specific significant concerns from the value for money risk assessment to date and there are no risks of significant weaknesses in arrangements to bring to the Committee's attention. We will keep our assessment up to date and report ou

The scope of the assessment is largely unchanged through the latest NAO guidance and the work carried out in 2020/21, helped by the management self assessment with supporting evidence, provides a good platform for the 2021/22 assessment. We are continuing to carry out desk top procedures to update our assessment and will report any matters arising if required. The Financial Stability theme is as expected an area where we expect at all Councils to have to continue to keep our assessment up to date, given amongst other things the continuing uncertainty over future funding and cost pressures.

Non-Audit Work

We expect to again agree separate engagements for the following pieces of non-audit work:

- Housing Benefits Grant Certification
- Pooling of Housing Capital Receipts Return Certification

We are satisfied there are appropriate safeguards in place regarding any threats to our independence in relation to this and our core audit work.

02

Section 02: **National publications**

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	Updated statement on the deferral of IFRS 16 leases	Following its emergency consultation on proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement.
2	CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets	The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets.
Department for Levelling Up, Housing and Communities		
3	Creation of the Audit Reporting and Governance Authority	A new regulator, the Audit Reporting and Governance Authority (ARGA), to be established as the system leader for local audit within a new, simplified local audit framework.
National Audit Office (NAO)		
4	Audit and Assurance Committee effectiveness tool	NAO's effectiveness tool provides a way for ARACs to assess their effectiveness
Public Sector Audit Appointments Ltd		
5	Annual Quality Monitoring Report 2019/20	This covers the work of local auditors appointed by PSAA for the 2019/20 financial year. The report provides information from PSAA's quality monitoring arrangements throughout the year, survey results and findings from professional regulation and contractual compliance. The report details how the Financial Reporting Council reviewed four Mazars financial statements audits and all were assessed as meeting the required standard.

NATIONAL PUBLICATIONS

CIPFA

1. Updated statement on the deferral of IFRS 16 leases – April 2022

Following its emergency consultation on exploratory proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement. This preliminary decision was subsequently considered by the government's Financial Reporting Advisory Board (FRAB). FRAB advised CIPFA LASAAC that it agreed with the deferral of IFRS 16 Leases until 1 April 2024. FRAB also advised CIPFA LASAAC that the Code had to allow and should encourage local authorities to adopt the standard before this date should they wish to.

CIPFA LASAAC has therefore followed its preliminary decision with its formal decision: to defer the implementation of IFRS 16 until 1 April 2024 (and therefore in the 2024/25 Code). However, both the 2022/23 and the 2023/24 Codes will allow for adoption as of 1 April 2022 or 2023. CIPFA LASAAC would note that the 2022/23 Code has not yet completed its due process so local authorities should follow the CIPFA LASAAC pages of the website for further updates. Formal due process for the Code by LASAAC and by CIPFA's Public Financial Management Board is anticipated to be complete by the third week in April.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/updated-statement-on-the-deferral-of-ifrs-16-leases>

2. CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets – May 2022

The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets. An urgent consultation on these proposals is now under way and comments are invited until the consultation closes on 14 June 2022 at 23.00.

The temporary proposals address an issue raised by auditors about the derecognition (removal of the carrying amount) of parts of local authority infrastructure assets as they are replaced. CIPFA LASAAC and CIPFA established a Task and Finish Group to find a solution to this issue and consider the outcome of any proposed changes to the code. Following advice from the Task and Finish Group, CIPFA LASAAC has now issued temporary proposals for changes to the code relating to how these issues are reported. They include:

- confirming the accounting consequences of derecognition, e.g. that the effect on the carrying amount is nil (on a presumption that the replaced parts are fully depreciated);
- temporarily adapting the code to remove the reporting requirements for gross historical cost and accumulated depreciation
- providing extra guidance on how depreciation may be applied for infrastructure assets
- CIPFA LASAAC will consult on a longer-term solution later in the year.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-lasaac-issues-urgent-consultation-on-code-of-practice>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

3. Creation of the Audit Reporting and Governance Authority – May 2022

Plans to ensure councils and local bodies are delivering value for money for taxpayers, strengthening council finances and reducing risk to public funds have been published by the government.

The government consultation response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

Ahead of ARGA's establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022. This will be led by Neil Harris, who joins as the FRC's first Director of Local Audit to start up a dedicated local audit unit.

The Department for Levelling Up, Housing and Communities has been acting as interim system leader since July 2021, when it established and took the chair of the Liaison Committee of senior local audit stakeholders.

Work has already begun to address the challenges facing local audit with the government announcing a series of measures to improve local audit delays in December 2021.

The consultation response also announces plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.

The announcement comes as government today set out its wider plans to revamp the UK's corporate reporting and audit regime through a new regulator, greater accountability for big business and by addressing the dominance of the Big Four audit firms.

The government continues to work closely with stakeholders, including local bodies and audit firms, to refine proposals for implementing our commitments around system leadership, as well the range of other commitments we have made in response to the Redmond Review.

<https://www.gov.uk/government/news/greater-transparency-and-value-for-money-for-council-finance-system>

NATIONAL PUBLICATIONS

National Audit Office

4. Audit and Risk Assurance Committee effectiveness tool – May 2022

Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm's-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

Against this background, NAO's effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The effectiveness tool is a comprehensive way for ARACs in central government to assess their effectiveness on a regular basis.

→ <https://www.nao.org.uk/report/audit-and-risk-assurance-committee-effectiveness-tool/>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

5. Annual Quality Monitoring Report 2019/20 – April 2022

This covers the work of local auditors appointed by PSAA for the 2019/20 financial year, which was undertaken during a difficult time for all concerned. The systemic issues that were highlighted in Sir Tony Redmond's Review continued and were compounded by the pandemic.

In September 2020 Sir Tony Redmond's review of local authority financial reporting and external audit was published. The report highlighted the significant challenges and turbulence within the new system of local audit, emphasising that at present local government audit is under-resourced, undervalued and is not having impact in the right areas. The report made a number of recommendations in relation to external audit regulation, smaller authorities' audit regulation, the financial resilience of local authorities and the transparency of financial reporting.

In December 2020 the Ministry of Housing, Communities and Local Government (MHCLG) delivered its initial response to the Redmond Review setting out proposed actions to implement the majority of the recommendations made in the report. This was followed by a further announcement in May 2021 which proposed that the Audit, Reporting and Governance Authority (ARGA) would carry out the hugely important role of the local audit systems leader. ARGA is the new regulator being established to replace the FRC and will contain a dedicated local audit unit which will play a key leadership and coordination role in the local audit framework. MHCLG consulted in Summer 2021 on how the new arrangements would function.

The next year is likely to continue to be very challenging for all involved in local audit, but DLUHC (formerly MHCLG) will take forward and refine its proposals in its role as interim systems leader until ARGA is created, and the FRC will create a local audit unit in shadow form.

The problems that Sir Tony Redmond reported on continue to impact significantly on the timely completion of local government audits. Only 45% of audit opinions were completed by the publishing date of 30 November 2020, compared with 58% in the previous year. This has now fallen even further with only 9% for 2020/21 audits of financial statement opinions completed (noting the reversion to a 30 September publishing date). Delayed audit opinions have a real public-facing impact, undermining the ability of local bodies to account effectively for their stewardship of public money to taxpayers. It is imperative that the whole system works together to restore timely completion of audits in order to rebuild public confidence and trust, especially as the lack of a statutory deadline for the audit opinion means that co-operation is essential to make the system work as the public has the right to expect it to.

<https://www.psaa.co.uk/managing-audit-quality/annual-audit-quality-reports-from-2018-19/annual-reports/audit-quality-monitoring-report-2019-20/>

Contact

Mazars

Director: Mark Surridge

Email: mark.surridge@mazars.co.uk

Senior Manager: Mike Norman

Email: michael.norman@mazars.co.uk

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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SUBJECT: EXTERNAL AUDIT: AUDIT COMPLETION REPORT 2020/21 - FOLLOW UP LETTER

DIRECTORATE: CHIEF EXECUTIVE & TOWN CLERK

REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 To update Members, following the issuing of the audit opinion on the 2020/21 Statement of Accounts, on matters that were originally raised in the Audit Completion Report, which was presented to this Committee in December 2021.
- 2.1 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.
- 2.2 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 December 2021).

3. Opinion on the financial statements

- 3.1 At the time of issuing the draft report in December 2021, Mazars work on the financial statements was substantially complete. This work has now been completed and Mazars issued an unqualified audit opinion. A follow up letter, to update Members on matters that were originally reported in the draft report is attached at Appendix A. This letter also includes a small number of additional reporting matters further to those set out in the draft report.

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 have issued 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 2020/21.

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 September 2021. 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 30th September 2021. On receipt of the final audit certificate, the Council's website will be updated with the final audited accounts including the issued audit opinion.

6.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities.

Due to the nature of the report, no specific Equality Impact Analysis is required.

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 2020/21 – Audit Committee
14th December 2021.

Lead Officer:

Jaclyn Gibson, Chief Finance Officer
Telephone (01522) 873258

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

Direct +44 (0)7875 974291
Dial
Email Mark.surridge@mazars.co.uk

7 June 2022

Dear Committee Member

City of Lincoln Council Audit Completion Report 2020/21 – Follow up

The audit opinion on the 2020/21 Statement of Accounts has been given and I am writing to update the Committee members on the matters that were originally reported within the City of Lincoln Council Audit Completion Report presented in December 2021. We have included at Appendix 1 a small number of additional reporting matters further to those set out in our original Audit Completion Report to the Committee. This letter also confirms there are no significant weakness to report in relation to the Council's VFM arrangements and our VFM commentary is included in the separate Auditor's Annual Report.

Update on matters originally reported

The matters set out in our original report and their outcome are summarised in the table below. There are no outstanding issues relating to the audit of the accounts.

Matter included in our Audit Completion Report	Update/Conclusion reached
Income and Expenditure and cut-off testing	The audit work is complete and there are no additional matters to report.
COVID-19 Grants testing	As part of the completion and review of the remaining testing we agreed with Management changes to the draft financial statements to correct the accounting for Covid grants. We have summarised this matter and the changes made to the draft financial statements at Appendix 1.
Whole of Government Accounts (WGA)	The National Audit Office (NAO) has still not confirmed its requirements of auditors and, as indicated in our Audit Completion Report, the Audit Certificate has not yet been issued for 2020/21.
Audit Quality Control and Completion Procedures	This process is complete. There are a small number of additional points arising from the review to report for the Committee's attention. These are summarised at Appendix 1 to this letter.

We will continue to review our audit process and liaise with the Council's finance team as part of the 2021/22 audit to build on any opportunities for strengthening arrangements.

The Auditor's Annual Report, including the Value for Money Commentary

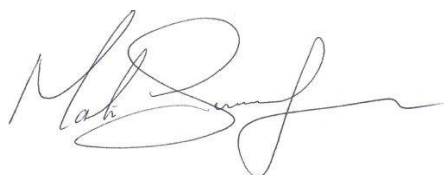
We provided the Committee in our Audit Completion Report with a summary of our responsibilities in relation to Value for Money. We have issued our Annual Auditor's Report, including the Value for Money Commentary separately. There are no additional matters in respect of the Council's arrangements for securing value for money that I need to bring to your attention in this letter.

Audit Certificate

I can confirm that we have not yet issued the 2020/21 Audit Certificate for the reasons set out in our Audit Completion Report (ie the NAO's delay in confirming its WGA requirements and the timing of the final Annual Auditor's Report). HM Treasury has now issued its WGA guidance to Councils, with a submission deadline of 31 July 2022, but has not yet issued its instructions to auditors. We expect to issue the certificate once these matters are concluded.

We will update the Committee at its June 2022 meeting but if you wish to discuss these or any other matters in the meantime then please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Surridge', with a long horizontal flourish extending to the right.

Mark Surridge

Key Audit Partner

For and on behalf of Mazars LLP

Appendix 1 – additional matters

We reported the findings from our audit of the financial statements to the Audit Committee in our December 2021 Audit Completion Report. The Audit Committee agreed that any further matters could be delegated to the Chief Finance Officer, with any subsequent changes reported back to the Committee. We have summarised below the further matters that need to be brought to the Committee's attention.

Covid-19 Grants Testing

Background

Our testing of the 2020/21 Covid-19 Grants income and expenditure was identified as being in progress in our Audit Completion Report. This work is now complete and we have agreed with Management the changes below, which only affect the Cost of Services section of the Comprehensive Income and Expenditure Statement and have no impact on Cost of Services or balances.

Details of adjustment	Assets £000s	Liabilities £000s	Reserves £000s	Comprehensive Income and Expenditure Statement £000s
Cost of Services – Gross Expenditure (Corporate Services)	n/a	n/a	n/a	(22,505)
Cost of Services – Gross Income (Corporate Services)	n/a	n/a	n/a	22,505
Cost of Services – Net Expenditure	n/a	n/a	n/a	-
<u>Explanation</u> The change is required to show the correct accounting for these grants under the Code of Accounting Practice; the Council acted as an 'Agent' in receiving and paying over these support grants and they should not be included with Cost of Services Gross Income or Expenditure. Changes have also been made at Note 8 (Expenditure and Income analysed by nature) to reflect this adjustment.				

Impact on our audit work

We have revised our materiality assessment reported in the Audit Completion Report to reflect the fall in the value of the relevant benchmark (Gross Expenditure). The revisions made are summarised below:

	Original £000s	Final £000s
Benchmark – Gross Expenditure	112,584	90,079
Overall Materiality (1.5%)	1,633	1,351
Performance Materiality (75%)	1,225	1,013
Trivial (3%)	49	41

The fall in materiality required that we revisit selected sample sizes and where necessary carry out additional testing. This testing is complete and there are no additional misstatements or other matters arising from that work that we need to report to the Committee.

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SUBJECT: EXTERNAL AUDIT – ANNUAL AUDITOR’S REPORT 2020/21

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 To receive and comment on the Annual Auditor’s Letter for 2020/21, attached as Appendix A.

2. Executive Summary

- 2.1 The Annual Auditor’s Report summarises the outcome of the 2020/21 external audit of City of Lincoln Council.
- 2.2 The letter is addressed to Members, however it is also intended to communicate the key messages to external stakeholders, including members of the public and will be placed on the Council’s website.
- 2.3 The annual audit itself covers the Statement of Accounts for 2020/21, the Value for Money (VFM) conclusion and other reporting responsibilities
- 2.4 The report will be presented at the meeting by the Council’s External Auditors, Mazars.

3. Strategic Priorities

- 3.1 There are no direct implications for the Council’s strategic priorities. The external audit of the Council’s financial statements is a statutory requirement and as such contributes towards the fitness for purpose of the Council’s governance arrangements.

4. Organisational Impacts

- 4.1 Finance (including whole life costs where applicable)

The fee for 2020/21 was £36,332 (£36,332 in 2019/20), in addition Mazars have applied a fee variation to cover additional work required for; extended auditor reporting and requirements as a result of the Council being designated as a EU Public Interest Entity; additional testing on property, plant and equipment and defined benefit pension schemes; additional testing as a result of new auditing standards, additional testing for Covid19 grant income and additional work as a result of the new Code of Audit Practice and VFM reporting. These additional fees are estimated to be £25,660 (£17,099 in 2019/120), bringing the total fee for 2019/20 to £61,992.

- 4.2 Legal Implications including Procurement Rules

There are no direct legal implications. The External Auditor is required to satisfy themselves that the Council's accounts comply with statutory requirements and that proper practices have been observed in compiling them.

4.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

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

5. Risk Implications

- 5.1 There are no specific risk implications arising as a direct result of this report. The Annual Auditor's Report sets out the key risks, as identified by the External Auditor, relevant to the audit of the financial statements, the work that was carried out on those risks and their conclusions.

6. Recommendation

- 6.1 The Audit Committee are asked to note and comment on the attached Annual Auditor's 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: None

Lead Officer: Jaclyn Gibson, Chief Finance Officer
Telephone (01522) 873258

Auditor's Annual Report

City of Lincoln Council – year ended 31
March 2021

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June 2022



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- 3004 Other reporting responsibilities

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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01

Section 01: **Introduction**


1. Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for City of Lincoln Council (‘the Council’) for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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


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Opinion on the financial statements
Our opinion on the financial statements was unqualified.



Value for Money arrangements
Section 3 of this report provides our commentary on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. No significant weaknesses in arrangements have been identified and there are no recommendations arising from our work.



Wider reporting responsibilities
We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Council’s Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We did not receive any questions or objections in respect of the Council’s financial statements.



02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Our Audit Completion Report 2020/21 presented to the Audit Committee on 14 December 2021, provided further details of the findings of our audit of the Council's financial statements. This included our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit.

Our June 2022 follow-up letter updated the Audit Committee on the outcome of the further work carried out in the areas set out in our Audit Completion Report and the additional misstatements identified. All material misstatements were adjusted for In the final audited Statement of Accounts and there are no additional matters raised in our Audit Completion Report 2020/21 or the follow up letter that we need to repeat in this report.

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Section 03: **Commentary on VFM arrangements**

3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

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

Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. We did not identify any risks of significant weakness, or actual significant weakness, in the Council's arrangements. On the following pages we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	9	No	No
Governance	11	No	No
Improving economy, efficiency and effectiveness	13	No	No

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to the Council’s operating environment in 2020/21

The Council entered 2020/21 at the start of the national lockdown, and faced a significant operational impact from the effects of the pandemic. In response to the COVID-19 pandemic, central government made a series of policy announcements, a number of which have impacted on local authorities such as City of Lincoln Council. During the 2020/21 year the Council dealt with a wide range of issues to support local residents and businesses.

Some of the Government's initiatives in response to the COVID-19 pandemic have been backed by additional funding, and the Council received a range of government grants during 2020/21 to either support local businesses/individuals or meet the Council's own costs. The Council received around £1.9m of COVID-19 Response funding to cover the Council's extra costs in 2020/21. The Council also received around £3.0m relating to income compensation scheme for the sales, fees and charges income lost during the lockdown periods and a further £0.5m through the local tax income guarantee scheme.

2020/21 Financial statement performance

We have carried out a high level analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, the Balance Sheet and Movement in Reserves Statement.

The Council's balance sheet does not give us cause for concern relating to financial stability. Net current assets have increased from £16.7m to £21.3m, with short term creditors increasing from £15.3m to £33.8m which as at other councils this year is largely due to deferred COVID-19 government grants. The level of total year-end Cash at Bank and Short Term Investments Equivalents increased from £30.6m to £34.4m which was in line with cash flow forecast and requirements.

The most significant change in the balance sheet relates to movements in the Council's share of the pension fund net liability (being a deficit position) of £109.2m, up from £82.0m in the prior year. It is not unusual to see material movements in the net pension liability and this is consistent with our experience at other local authorities. The deficit position is not unusual and is a recognised area of financial challenge for local authorities.

The Council's useable reserves have increased from £34.4m to £52.5m in 2020/21, with:

- General Fund and Earmarked Reserves of £28.7m, up from £13.8m in 2019/20;
- Capital Receipts and Grants Reserves of £8.5m, down from £10.4m in 2019/20; and
- Housing Revenue Account Balances of £15.2m, up from £10.2m in 2019/20.

These reserves provide some mitigation against future financial challenges, and include specific reserves (COVID Recovery Reserve £1.1m, COVID Response Reserve £0.3m Invest to Save Reserves £0.7m, Funding for Strategic Priority Reserves £0.9m, Strategic Growth Reserves £0.05m, Vision 2025 £0.2m) to address future volatility, investment and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long term solution to funding gaps. Notwithstanding this, our work has not highlighted a risk of significant weakness in the Council's arrangements for ensuring financial sustainability.

Financial planning and monitoring arrangements

In March 2020 the Council set balanced General Fund and Housing Revenue Account budgets for the 2020/21 financial year. During the year the Council reported its financial position through the quarterly financial performance reports, and carried out a thorough early in-year review to reflect the impact of COVID-19 on budgets and financial performance. An updated budget forecast and Medium Term Financial Plan was approved by Executive in September 2020.

We reviewed a sample of budget monitoring reports presented for 2020/21 to the Executive and the Performance Scrutiny Committee. The reports contain detail on any significant variances to budget and an update on performance against savings targets. The reports also contain information on progress against the approved capital programme and reasons for over or underspends against the budget profile to provide adequate scrutiny and oversight.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria (continued)

Arrangements for the identification, management and monitoring of funding gaps and savings

The Medium Term Financial Strategy (MTFS) is a five year plan consisting of the current year, plus four more years, which sets out the Council's commitment to provide services that meet the needs of people locally and that represent good value for money within the overall resources available to it.

A key part of the strategy is to highlight the budget issues that will need to be addressed by the Council over the coming financial years, by forecasting the level of available resources from all sources and budget pressures relating to both capital and revenue spending as well as assessing sufficient reserves and provisions are held for past and unknown events which may impact on the Council's resources. The MTFS is prepared alongside other plans and strategies (for example the workforce planning and Capital and Investment Strategies). There is a process in place for challenging any growth items and agreeing the achievability of planned savings.

There is a 30 year Housing Business Plan in place to shape the Council's Housing service. The Business Plan is linked to the Council's MTFS and Capital Strategy.

Arrangements and approach to 2021/22 financial planning

The arrangements for the 2021/22 and 2022/23 budget setting process largely followed the arrangements in place for 2020/21 but with a better understanding based on the experiences during the year of the impact of COVID-19 on the Council's services. There were still though a number of unavoidable uncertainties regarding the availability of any further government support, the long term impact of COVID-19 on local economic recovery, inflationary pressures and demands on services.

Balanced 2021/22 General Fund and Housing Revenue Account budgets were approved at the March 2021 Council meeting with any required savings expected to be covered by actions in hand. The Executive has reviewed budget performance, progress against the savings programme and approved any budget updates as part of its quarterly reviews during 2021/22. We have reviewed these reports and not identified any significant concerns regarding the 2021/22 financial plans and performance to date which indicate weaknesses in the Council's arrangements.

The approved 2021-2026 MTFS acknowledges that the roll over of the Local Government Funding Settlement meant that some of the expected changes in the Fair Funding Review and in relation to New Homes Bonus were not enforced. Changes in these areas were regarded as a risk through expected loss of funding so their

deferral represented a gain to the Council's immediate financial position. The MTFS identifies other risks, including possible fluctuations in the Business Rates, legacy impacts of COVID-19 and other factors on the economy.

The continuing uncertainty makes strategic financial planning difficult for Councils, particularly in relation to its General Fund services where the updated MTFS approved in March 2021 identified that savings of around £1.75m were required by 2025/26. The Council has delivered significant savings over the life of its Towards Financial Sustainability Programme but the MTFS acknowledges the increasing difficulty in finding additional efficiency savings. The Programme has been focusing on the two strands of exploiting opportunities through 'One Council' working, and withdrawing from or reducing the level of service in non-priority or unaffordable areas. The updated MTFS approved in March 2022 identified that the savings requirement by 2026/27 was now around £1.5m, with £0.8m already delivered. As described above, the Council has established reserves to support its planned transformation and savings process and is focused on measures to reduce its net cost base to ensure it has a sound and sustainable financial position.

Based on the above considerations we are satisfied there are no significant weaknesses in the Council's arrangements in relation to financial sustainability.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management and monitoring arrangements

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. Management monitor controls and processes through supervisory reviews, checks and system reporting. There are Strategic and Directorate Risk Registers in place, together with specific programme and project registers for major initiatives. The Strategic Risk Register has been refreshed and updated by the Corporate Leadership Team and reported to the Executive. The updated Strategic Risk Register reflects the significant change in circumstances in which the Council is now operating and the different challenges and opportunities it faces. The Audit Committee reviews the effectiveness of the Council's arrangements and receives an annual risk management report.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council's Internal Audit team works in partnership with Assurance Lincolnshire to deliver internal audit services for City of Lincoln. The Audit Manager acts as Head of Internal Audit and the service has been externally assessed against the Public Sector Internal Audit Standards. The annual Internal Audit plan is reviewed and agreed by the Audit Committee at the start of the year.

The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2020/21, 2021/22 and 2022/23 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are presented to each Audit Committee meeting including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Audit Manager (as Head of Internal Audit) provides an Annual Report including an opinion, based on the work completed during the year, on the overall adequacy and effectiveness of the council's control environment. For 2020/21 the Audit Manager concluded that the Governance, Risk, Internal Control and Financial Control was working well and there were no concerns that significantly affected the governance framework and successful delivery of the Council priorities. Internal control was assessed as performing adequately, based on the ratings for the reports issued in they year.

Throughout the year we have attended Audit Committee meetings and confirmed that the committee receive

regular updates on both internal audit progress and risk management. We have seen active Member engagement from the Audit Committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

Arrangements for budget setting and budgetary control

The Council has an established set of arrangements in place for budget setting and control. The process is set out and approved through the Constitution, which encompasses the budget setting rules and financial procedures. The framework includes:

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

Following approval of the budget, budget monitoring commences to monitor progress against targets. Budget monitoring responsibilities of budget holders are documented and they are supported in this role by the finance team. Budget monitoring reports are produced on a monthly basis and there are regular meetings held, including finance team members, to discuss the financial performance and forecasts. Budget holders have on-line access to live financial information through the general ledger. There are rules in place regarding the reporting of budget variances and budget changes. The Performance Scrutiny Committee receives quarterly finance and service performance reports at the same meeting. The Committee's minutes demonstrate appropriate challenge is in place.

There are similar processes and controls in place for development and control of the capital programme alongside the revenue budget setting. The Treasury Management, Capital and Investment Strategies are approved at the same time as the revenue budgets and monitored and reported on throughout the year.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (continued)

Arrangements for budget setting and budgetary control (continued)

There are rules in place regarding changes to the original budget. The opportunity to review the budget was especially important in 2020/21 given the likely impact of COVID-19 was largely unknown at the time the original budget was approved. The updated 2020/21 budget was approved by the Executive in September 2020.

Quarterly Financial performance monitoring reports are presented to the Departmental and Corporate Management Teams, Performance Scrutiny Committee and then the Executive. The reports cover General Fund, Housing Revenue Account and Housing Repairs Service spend and income to date and forecast against budget and Capital Programme progress. Forecasted significant variations are investigated and reported on, together with any corrective action being taken. The reports also cover progress against savings targets and planned use of or contributions to reserves. Our review of the relevant meeting minutes confirmed there was challenge and scrutiny of the process. The impact of COVID-19 on financial performance is apparent from the reports through 2020/21 and 2021/22 and any material budget variances were identified and explained at an appropriate stage. There were no significant unexpected over or underspends reported at the year-end.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has published its Financial Management (FM) Code to provide guidance for good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The first full year of compliance with the FM code is 2021/22. We reviewed the Chief Finance Officer's report to the Audit Committee setting out their assessment of the Council's compliance with the standards set out in the Code, and considered the disclosures made in the Annual Governance Statement. The assessment shows that the Council complies with the majority of the Code requirements already and management is working to address the small number of areas for improvement identified. The Audit Committee received an update on progress at its March 2022 meeting.

Decision making arrangements and control framework

The Council has an established governance structure in place which is set out within its Annual Governance Statement (AGS). We reviewed the AGS and observed the Audit Committee's review of the AGS and monitoring of actions throughout the year in relation to any significant governance issues.

The governance structure, as described in the AGS includes the Council's Code of Corporate Governance, the Constitution and the scheme of delegation which shows the levels of authority required for all key decisions, the Council's Strategic Plan (Vision 2025) and supporting delivery plans.

The Council's Code of Corporate Governance sets out the governance principles which the Council are committed to and within which the Council conducts its business and affairs. The Code identifies the arrangements in place to enable the Council to meet the good governance principles identified. The Code has been reviewed and updated in 2021 and 2022. There are arrangements in place for ensuring Councillors are aware of the behaviours expected under the Member Code of Conduct, and for investigating and considering any complaints made about Councillors. The Member code of Conduct is overseen by the Ethics and Engagement Committee and was updated in January 2021. The Audit Committee reviews the Fraud Risk Register annually and the updated Council's Counter Fraud and Anti-Corruption Policy/Strategy, with supporting Action Plan, was approved in 2021. The Council is a member of the Lincolnshire Counter-Fraud Partnership

The Constitution is kept under review and updated as required. The Constitution sets out how the Council operates, how decisions are made and the procedures to support the Council's aims of being transparent and accountable. The Constitution includes the Budget and Policy Framework Procedure Rules, Financial and Contract Procedure Rules, Officer Employment Procedure rules, and the Member and Officer Codes of Conduct. The Constitution also sets out the rules and process for Decisions to be 'called in' by Committees.

The Scrutiny Committee arrangements have been shaped to reflect Council priorities with there being four themed Committees to review and scrutinise the discharge of the Executive's functions and the effectiveness of the Council's functions. The Audit Committee provides further focus on risk, governance and control matters. The Scrutiny Committees have work programmes in place to steer their coverage of services and Executive key decisions and issue Annual Reports on their activities. We have reviewed the Scrutiny Committees' minutes throughout the year and not identified any concerns.

Regulators

There are few external regulators for district councils and we have not identified any matters reported which indicate significant weaknesses in the Council's governance arrangements. We reviewed the Local Government and Social Care Ombudsman's (LGSCO) 2020/21 report. The report does not highlight any significant concerns in relation to the Council's governance arrangements.

Based on the above considerations we are satisfied there are no significant weaknesses in the Council's arrangements in relation to governance.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

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

Performance Management

The Council's Strategic Plan, Vision 2025, sets out the Council's priorities and objectives for the five year period covered by the plan, including the values which underpin the overarching vision of 'delivering Lincoln's ambitious future'. The Plan provides a basis for Council's service and financial planning arrangements. The Vision has 5 strategic priorities which cover economic growth, inequality, housing, climate change and 'place'. There is an agreed Corporate Leadership Team Value for Money Statement which recognises that to achieve its Vision the Council must deliver value for money in its activities. The Statement sets out the Council's strategic approach to planning and delivering services that are good value for money and identifies the arrangements established by managers to support this process.

The Council has in place a performance management framework which includes identified responsibilities of managers and processes for regular performance reporting and corrective action if required. The Vision 2025 Annual Delivery Plan feeds directly into financial and service planning. The Council has identified the key performance indicators, and target levels of performance, in relation to these priorities. The performance targets are informed by national standards, local benchmarking and experience and subject to initial challenge and confirmation. The Council has a Performance Information Management System which holds a set of measures linked to the priorities which are assessed quarterly or annually. There is quarterly reporting on these measures, alongside the quarterly budget monitoring, to the Performance Scrutiny Committee and Executive. These quarterly reports take the form of a dashboard and identify whether the performance is acceptable, above or below target. The quarterly reports include an appropriate commentary to explain any significant factors which are affecting performance and actions being taken to correct performance.

On an annual basis, the Council's overall performance is summarised in the Narrative Report as part of the Statement of Accounts. This outlines the Council's progress against its ambitions, highlighting key actions that have been made in response to their progress. This provides the public with an overall assessment of the Council activities for the financial year.

We have reviewed a sample of the quarterly performance reports and the Executive and Performance Scrutiny minutes which show member challenge of the reported performance. The quarterly reports demonstrate that performance has been managed throughout the 2020/21 year and any significant variances have been justified, with no major unexpected gaps in performance at the year end. COVID-19 as expected had a significant impact on the quarterly performance measures leading to many of the original targets not being achieved. The performance management framework has continued to operate as expected in 2021/22.

The latest performance reports do not highlight any major concerns, with management focused on improving any areas at risk of not being on target by the end of the year although some measures continue to be affected by the pandemic. Overall, we believe there is sufficient evidence to demonstrate adequate arrangements for performance monitoring and management at the Council.

Partnerships

There are a number of significant partnership arrangements in place, through which the Council works to deliver services in line with its priorities. They include a collaborations with North Kesteven and West Lindsey District Councils to provide the Central Lincolnshire Joint Planning Unit as well as an arrangement with North Kesteven to provide a shared Revenue and Benefits Service. This shared service is hosted by the City of Lincoln Council. Both of these arrangements are governed through a Joint Committee representing each of the partner authorities. There is Partnership Guidance in place to support managers and provide a framework for the Council's work with partners. Mechanisms have been established to manage the performance of the authority's significant Partnerships and for the Audit Committee to consider annual assurance assessments. The Council is the accountable body for the successful Town Deal bid and appropriate governance and performance management arrangements are being established to progress the associated projects.

Procurement

The Council's Contract Procedure Rules form part of the Council's Constitution, this takes into account latest legislative and operational changes at the Council, and provide a corporate framework for the procurement of goods, works and services. This is set to be reviewed in light of the Transforming Public Procurement Green Paper. There are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability. The Council's Internal Audit team gave an 'substantial' assurance rating following their latest review of the Procurement Service. There are regular contract management meetings lead by council officers to ensure major contracts are being delivered as expected and if needed to escalate any concerns at an early stage. Post implementation reviews are regularly carried out by officers on specific major projects to ensure the expected benefits have been achieved and any significant lessons learned to inform future contracts.

Based on the above considerations we are satisfied there are no significant weaknesses in the Council's arrangements in relation to improving economy, efficiency and effectiveness.

04

Section 04:

Other reporting responsibilities and our fees

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4. Other reporting responsibilities and our fees

Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers.

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

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

We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Council's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum and Audit Completion Report presented to the Audit Committee in July and December 2021 respectively. We expect our final audit fees to be as follows.

Area of work	2019/20 fees	2020/21 fees
Scale fee in respect of our work under the Code of Audit Practice	36,332	36,332
Additional work to reflect the Council's designation as a Public Interest Entity	5,000	5,000
Additional testing as a result of changes arising from increased audit quality expectations involving the work on the valuation of land and buildings and on the local government pension scheme	7,067	7,067
Additional testing as a result of the implementation of new auditing standards	-	2,800
Additional testing as a result of COVID-19 grant income	-	1,500
Other additional testing - additional testing and reporting in 2019/20 on uncertainties in key estimates as a result of COVID-19	5,032	-
Additional work as a result of the new Code of Audit Practice and VFM reporting	-	9,293
Total fees	53,431	61,992

* Fee variations subject to approval and confirmation by Public Sector Audit Appointments Limited.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

4. Other reporting responsibilities and our fees

Fees for other work

We confirm that we undertook the following non-audit services for the Council in the year.

Certification of the 2019/20 Housing Benefit Subsidy Claim	£6,800
Pooling of 2019/20 Housing Capital Receipts Return	£3,250
Homes England – Compliance Return	£3,500

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Mark Surridge, Director – Public Services

mark.surridge@mazars.co.uk

Mazars

2 Chamberlain Square
Birmingham
B3 3AX

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*where permitted under applicable country laws.