



# Audit Completion Report

City of Lincoln Council

Year ending 31 March 2019

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City of Lincoln Council  
City Hall  
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09 September 2019

Dear Members

### **Audit Completion Report – Year ending 31 March 2019**

We are pleased to present our Audit Completion Report for the year ending 31 March 2019. 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 which we presented on 26 March 2019. 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.

We 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 on 07875 974 291.

Yours faithfully

Mark Surridge  
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# 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 2019, and forms the basis for discussion at the Audit Committee meeting on 17 September 2019.

The detailed scope of our work as your appointed auditor for 2018/19 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;
- Expenditure recognition;
- 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:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

Our WGA Submission will be completed in line with the group instructions issued by the NAO.

### Wider powers

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. At the time of drafting this report we have not received any questions or objections relating to 2018/19.

# 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 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Review of work	●	Our senior management review of the audit work is still in progress. This may identify the need for additional testing to be undertaken or further evidence to be sought in support of balances, which may result in further misstatements being identified.
Events after the Balance Sheet date	●	Our review is ongoing up until the date of signing the auditor's report (the Opinion).
Signed financial statements and signed Management Representation Letter	●	Following the Audit Committee on 17 September 2019 the Council will provide signed copies of the financial statements, annual governance statement and Management Representation letter.

### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Misstatements and internal control recommendations

Section 4 sets out the internal control recommendations that we have made.

Section 5 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

# 2. AUDIT APPROACH

### Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2019. 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 £1,523k using a benchmark of 1.3% of 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 was uplifted to 1.5% of gross expenditure and is £1,757k. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee), at £53k based on 3% of overall materiality.

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

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that adjustments 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
Officer's emoluments (Note 35)	£110,000
Officer's remuneration bandings (Note 35)	£5,000 *
Members allowances (Note 34)	£58,000
Audit fee (Note 36)	£14,000

\* Reflecting movement from one salary band to another



## 2. AUDIT APPROACH (CONTINUED)

### 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 below. Further information on the findings are provided in Sections 3 and 5.

#### Comprehensive Income and Expenditure Statement

Account area	Material misstatement risk	Risk description	Key Audit Matter	Changes to audit approach	Significant audit findings
Net cost of services	Significant	Revenue Recognition Risk Expenditure recognition risk	No	None	Non-material adjusted misstatement
Other operating expenditure	Standard	-	No	None	Non-material adjusted misstatement
Financing and investment I&E	Significant	Accuracy of pensions interest costs	Yes	None	Non-material adjusted misstatement
Taxation and non-specific grant I&E	Standard	-	No	None	None
Other comprehensive I&E	Significant	Accuracy of movements in pensions liability	Yes	None	Non-material adjusted misstatement

## 2. AUDIT APPROACH (CONTINUED)

### Balance Sheet

Account area	Material misstatement risk	Risk description	Key Audit Matter	Changes to audit approach	Significant audit findings
Property, plant and equipment	Significant	Valuation of property, plant and equipment, investment properties and assets held for sale risk	Yes	None	Non-material adjusted misstatement
Heritage assets	Standard	-	No	None	None
Investment properties	Significant	Valuation of property, plant and equipment, investment properties and assets held for sale risk	Yes	None	Non-material unadjusted misstatement
Assets held for sale	Significant	Valuation of property, plant and equipment, investment properties and assets held for sale risk	Yes	None	Non-material adjusted misstatement
Investments	Standard	-	No	None	None
Short term debtors	Significant	Revenue recognition risk	No	None	None
Cash and cash equivalents	Standard	-	No	None	Non-material adjusted misstatement
Short term creditors	Significant	Expenditure recognition risk	No	Yes	None
Borrowings	Standard	-	No	None	None
Provisions	Standard	-	No	Yes	None
Other long term liabilities	Significant	Valuation of pensions liability	Yes	None	Non-material adjusted misstatement
Reserves	Minimal	-	No	None	None

### 3. SIGNIFICANT FINDINGS

Set out on the following pages 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; 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.

The table below reaffirms the significant risks and Key Audit Matters identified in our Audit Strategy Memorandum with our findings set out on the following pages.

Description of risk	Key Audit Matter	Audit Adjustments Arising?
Valuation of property, plant and equipment, investment properties and assets held for sale	Y	Y
Valuation of net defined benefit liability	Y	Y
Management override of controls	N	N
Revenue recognition	N	N
Expenditure recognition	N	N



### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Key audit matters

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

##### Description of the key audit matter

The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (PPE), investment properties and assets held for sale.

The Council employs valuation experts to provide information on valuations, because there is a high degree of estimation uncertainty associated with the (re)valuations of PPE, investment properties and assets held for sale due to the significant judgements and number of variables involved.

##### How we addressed the key audit matter

We have:

- critically assessed the Council's arrangements for ensuring that PPE, investment property and assets held for sale valuations are reasonable;
- critically assessed the data provided by Gerald Eve (an expert commissioned by the NAO), as part of our challenge of the reasonableness of the valuations provided by the Council's valuers;
- consider the competence, skills and experience of the valuers and the instructions issued to the valuers; and
- where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate.

##### Observations and conclusions

Aside from a non-material classification error as described in Section 5, there are no significant matters arising from our testing, and we have concluded that the Council's property, plant and equipment, investment properties and assets held for sale are materially fairly stated.

### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Valuation of net defined benefit liability

#### Description of the key audit matter

The financial statements contain material accounting entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

#### How we addressed the key audit matter

We have:

- critically evaluated the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and
- challenged the reasonableness of the Actuary's assumptions that underpin the relevant entries made in your financial statements, through the use of an expert commissioned by the National Audit Office.

#### Observations and conclusions

There are no significant matters arising from our testing, although we do wish to bring the following to Members' attention.

All local authorities have been affected by an accounting issue that impacts the value of pension liabilities. Two on-going legal cases (Guaranteed Minimum Pensions and McCloud/Sergeant) have created uncertainty over whether pension liabilities are fairly stated. The Council's actuary (via the Pension Fund) did not make an allowance in its actuarial valuation for either of these cases and early guidance given to councils was that the impact would not be material. The Council, as with nearly all local authorities in England, prepared the financial statements on this basis. In our view, these cases give rise to at least a constructive obligation, which is required to be recognised under IAS 19. As a result the Council obtained a revised valuation from the Pension Fund via its actuarial expert incorporating these two issues.

This resulted in a non-material understatement of liabilities, as described in Section 5, for which the Council has updated the financial statements to reflect the changes identified in these revised valuations.

### 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.

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##### 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 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.

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##### Audit conclusion

There are no significant matters arising from our work on the management override of controls.

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# 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 the risk lies in the year-end balance sheet and in particular the existence and accuracy of debtors, specifically those that relate to useable reserves, are material, subject to manual intervention and/or significant estimation.

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

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**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.

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**Audit conclusion**

There are no significant matters arising from our work on revenue recognition.

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### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Expenditure recognition

##### Description of the risk

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by 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. Again, based on the circumstances of each audit, this is rebuttable.

Having considered the factors for expenditure recognition, we have concluded that the risk lies in the year end balance sheet and in particular the completeness and valuation of creditors, specifically those that are material, manually accrued and impact the Council's useable reserves.

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

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##### 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 accruals being recognised in the wrong period;
- testing material manual accruals to ensure that they are supported by sufficient and appropriate evidence and have been accounted for correctly;
- testing of payments around the year-end to provide assurance that there are no material unrecorded items of income and expenditure in the 2018/19 accounts; and
- testing material year end journals.

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##### Audit conclusion

There are no significant matters arising from our work on expenditure recognition.

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### 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.

#### 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, demonstrated by:

- numerous casting errors;
- an overall imbalance between the Comprehensive Income and Expenditure Statement and the movement in the Balance Sheets between the years; and
- a failure to action previously agreed presentational amendments.

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.

It is important that the Council takes the steps necessary to re-establish robust arrangements and staffing to support the 2019/20 year-end and we have raised a recommendation relating to this area of improvement in Section 4.

#### Incomplete Disclosures for Pension Fund Plan Assets

A requirement of CIPFA's Code of Practice is to include within the defined benefit pension disclosures a table disaggregating the fair value of the plan assets into classes that distinguish the nature and risks of those assets, subdividing each class of plan asset into:

- those that have a quoted market price in an active market (as defined in IFRS 13 Fair Value Measurement); and
- those that do not.

The Council has sought this information from its appointed actuary however, the information provided is clearly incorrect with some asset classes that cannot have a quoted market price being classified as having a quoted market price. As a consequence the Council is unable to accurately make the disclosure required by the Code.

Despite this omission management are satisfied that this does not prevent the reader of the accounts from obtaining a true and fair understanding of the Council's financial position and performance, and we agree with this assessment. The Council should however make all attempts to secure this information in the future and we have raised a recommendation relating to this area of improvement in Section 4.

#### Investment Property Valuations

Our audit procedures have noted that the Council has not revalued all of its Investment Properties during the year, contrary to the requirements of CIPFA's Code of Practice, which requires these assets to be measured at their fair value at the end of the reporting period. Whilst we are aware of the Council undertaking a material change review as at the 31 March each year, we do not feel that this would fully satisfy these requirements as this will not consider all of those aspects considered as part of a full revaluation.

Management have confirmed that they do not believe that the accounts would be materially misstated as a result of this error and our further work on the Council's valuations, including a comparison with regional and national valuation trends and benchmarking against the valuation movements in the Council's other Investment Properties, have provided sufficient assurance for us to concur with this view. We have raised a recommendation relating to this area of improvement in Section 4.

### 3. SIGNIFICANT FINDINGS (CONTINUED)

#### Opening balances

As a first year audit, we performed appropriate procedures on opening balances including a review of the predecessor auditor's file. Aside from a material prior period adjustment as described below, there were no matters to report.

#### Prior Period Adjustment

During 2018/19, management identified and discussed with us an underlying accounting error it had identified within unusable reserves from the way in which management had incorrectly posted accounting transactions between the Capital Adjustment Account and the Revaluation Reserve of £1.541million. In our view, the values involved were so large that the prior years figures were materially incorrect and therefore needed to be restated. This adjustment and the required disclosure notes, were not fully completed in the draft financial statements, leading to further audit adjustments being required.

#### Significant matters discussed with management

A challenging aspect of the audit related to the actuarial valuation of the Pension Liability that, as explained on page 10, impacted all local authorities and participants in a local government pension scheme. The Council prepared its draft financial statements based on guidance that had been issued at the time, however our view was that the actuarial valuations should have taken into account both the McCloud and GMP judgements. We raised our concerns at an early stage, and despite this being a complex area requiring third party input within compressed deadlines, was dealt effectively by all parties.

#### Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management.

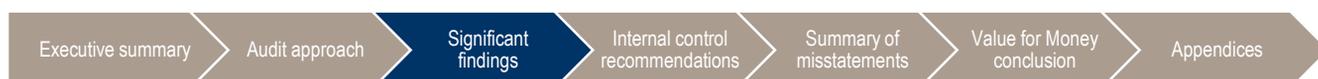
#### Wider responsibilities

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 2018/19 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. At the time of drafting this report we have not received any questions or objections 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
<b>1 (high)</b>	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
<b>2 (medium)</b>	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
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	0

### Significant deficiencies in internal control – Level 1

There were no significant deficiencies in internal control arising from our 2018/19 audit.



## 4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

### Other deficiencies in internal control – Level 2

#### Description of deficiency

##### 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.

#### 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 2019/20 year-end. Quality control procedures in respect of the accounts preparation process need to be strengthened and the Council, in its closedown procedures for 2019/20, should include sufficient time for a robust quality control process to be implemented.

#### Management response

Whilst it is acknowledged that improvements can be made for the future, the accounts were prepared using the same format and guidance as in previous years, which were deemed to be of an appropriate standard. All notes to the accounts and working papers will be reviewed for the forthcoming year end and time for quality checking will be built into the closedown timetable. It should be noted that all key positions are now filled.

#### Description of deficiency

##### 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.

#### Potential effects

The Council's accounts may be materially misstated in respect of its disclosure requirements.

#### Recommendation

As part of its commissioning of actuarial services for future years the Council needs to ensure that it receives the information required for it to complete the disclosure requirements completely and accurately.

#### Management response

In 2019/20 appropriate instructions will be given to the actuary to ensure that detailed information is provided on the split of fund assets to be included in the report provided.

## 4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

### Other deficiencies in internal control – Level 2 (continued)

#### Description of deficiency

##### 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.

#### Potential effects

The Council may not be able to demonstrate that its investment property valuations are in accordance with the requirements of CIPFA's Code of Practice.

#### Recommendation

The Council should ensure that all of its investment properties are subject to annual revaluation, ideally as at 31 March, to ensure that their fair values can be accurately determined at the end of each reporting period.

#### Management response

Instructions will be given to the valuer to ensure that all investment properties are valued on an annual basis going forward and a revised valuation date will be agreed with the valuer.

### Other recommendations on internal control – Level 3

There were no other recommendations on internal control arising from our 2018/19 audit.

### Follow up of previous internal control points

As 2018/19 is the first year of our appointment as the Council's external auditor, there are no previous internal control points to follow up and report.

## 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 £53k.

The first section outlines the misstatements that have been adjusted by management during the course of the audit in respect of both numerical and disclosure issues.

The second section 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.

### Adjusted misstatements 2018/19

#### Numerical errors

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: HRS Reserve Dr: Insurance Reserve Cr: Earmarked Reserves		89 3,862	3,951
<i>The HRS Reserve and Insurance Reserve held by the Council forms part of its Earmarked Reserves and is presented as such within the Movement in Reserves Statement. Its presentation on the Balance Sheet should therefore be consistent with this.</i>				
2	Dr: Chief Executive's Directorate – Expenditure Cr: Financing and Investment Income and Expenditure	1,620	1,620	
<i>The Council incorrectly disclosed the fair value movement on its Investment Properties within Net Cost of Services 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 12, 16, 26 and 32.</i>				
3	Dr: Property, Plant and Equipment – Surplus Assets Cr: Assets Held For Sale		1,200	1,200
<i>Following a decision to no longer actively seek the disposal of an asset the Council failed to transfer this back from Assets Held For Sale to Property, Plant and Equipment. This error also has consequential impacts on Notes 14 and 22.</i>				
4	Dr: Other Operating Expenditure Cr: Financing and Investment Income and Expenditure	374	374	
<i>The Council incorrectly disclosed the gains on its disposal on its Investment Properties within Other Operating Expenditure rather than including these within Financing and Investment Income and Expenditure. This error also has consequential impacts on Notes 11, 12, 16 and 32.</i>				
5	Dr: Corporate Services – Expenditure Cr: Other Long Term Liabilities Dr: Unusable Reserves – Pensions Reserve Cr: MIRS General Fund – Adjustments	927	927	927
<i>The net pensions liability has been increased following the receipt of the updated IAS 19 reports to reflect the impact of the GMP and McCloud emerging legal cases. This error also has consequential impacts for the cash flow statement, the Expenditure and Funding Analysis and Notes 7, 8, 9, 26, 28 and 44.</i>				

## 5. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Adjusted misstatements 2018/19 (continued)

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
6	Dr: Cash at Bank Cr: Cash and Cash Equivalents		613	613
<i>The Council failed to disclose its cash and cash equivalent balances correctly on the face of the Balance Sheet.</i>				
7	Dr: Unusable Reserves – Revaluation Reserve Cr: Unusable Reserves – Financial Instruments Revaluation Reserve		784	784
<i>The Council incorrectly disclosed the cumulative fair value gains on its financial assets held at fair value through other comprehensive income and expenditure within the existing Revaluation Reserve rather than establishing a new Financial Instruments Revaluation Reserve. This error also has consequential impacts on Notes 26.</i>				
8	Dr: MiRS HRA – Adjustments Cr: Other Operating Expenditure Dr: MiRS Capital Receipts Reserve – Other Adjustments Cr: MiRS Capital Receipts Reserve – Adjustments	70  70	 70  70	
<i>The Council failed to pass all of its capital receipts through the Comprehensive Income and Expenditure Account. This error also has consequential impacts for the cash flow statement, the Expenditure and Funding Analysis and Notes 7, 9, and 11.</i>				
9	Dr: Other Operating Expenditure Cr: MiRS Capital Receipts Reserve – Other Adjustments Dr: MiRS Capital Receipts Reserve – Adjustments Cr: MiRS General Fund – Adjustments	231  231	 231  231	
<i>The Council identified that it had failed to include its 1-4-1 capital receipts that were due to be repaid to MHCLG within its capital receipts pooling figures. This error also has consequential impacts for the cash flow statement, the Expenditure and Funding Analysis and Notes 7, 9, 11 and 30.</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, our audit also identified a number of required adjustments in relation to other disclosures. These have been discussed with management who have agreed to the amendments and include:

- corrections to the Expenditure and Funding Analysis;
- correct reporting of prior year errors as a Prior Period Adjustment rather than in year movements;
- corrections to the Cash Flow Statement and related notes;
- adjustments to some of the figures within Note 8 Expenditure and Income Analysed by Nature;
- correction to the figures reported for reserve movements in Note 10 Earmarked Reserves;
- adjustments to some of the figures and narrative disclosures within Note 18 Financial Instruments;
- correction to the figure reported for Note 34 Members' Allowances;
- re-analysis and correction of the figures within Note 35 Officers' Emoluments;
- adjustments to some of the figures within Note 37 Grant Income;
- amendment to the minimum lease payments within Note 40;
- removal of two disclosed contingent liabilities in Note 45;
- adjustments to some of the figures within Note 47 Nature and Extent of Risks Arising from Financial Instruments;
- adjustment of some of the figures disclosing the net book value of HRA assets within HRA Note 2;
- amendment to the depreciation charge within HRA Note 3; and
- adjustments to some of the figures within Collection Fund Note 3 Income From Business Ratepayers.

### Unadjusted misstatements 2018/19

We have identified two misstatements during the course of the audit that management have decided not to correct as their assessment is that these are not material, either individually or in aggregate, to the financial statements and the errors do not prevent the reader of the accounts from obtaining a true and fair understanding of the Council's financial position and performance.

#### Pension fund assets

The Council has not disaggregated the fair value of the plan assets into classes that distinguish the nature and risks of those assets, subdividing each class of plan asset into:

- those that have a quoted market price in an active market (as defined in IFRS 13 Fair Value Measurement); and
- those that do not.

#### Investment Properties Valuations

The Council has not revalued all of its investment properties during the year.

## 6. VALUE FOR MONEY CONCLUSION

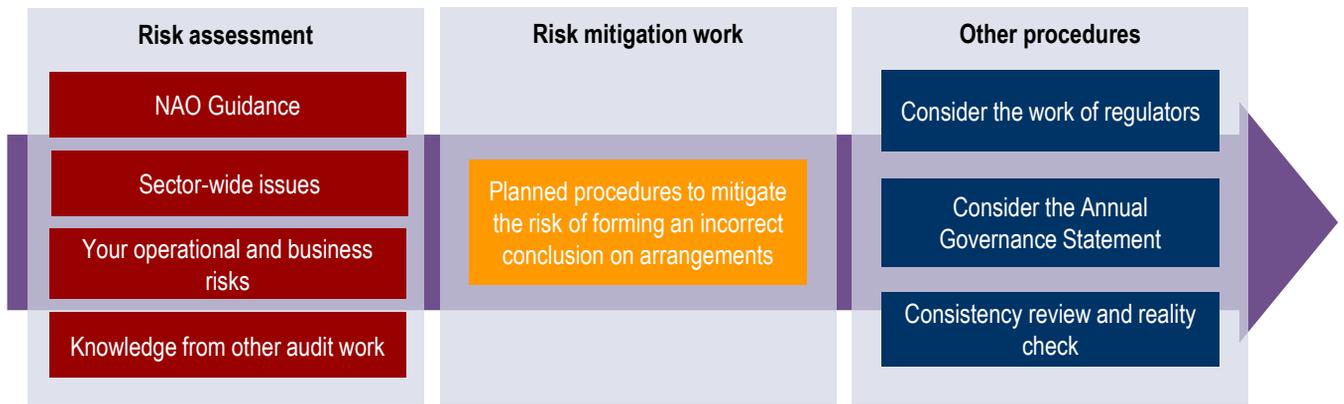
### Our approach to Value for Money

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.

A summary of the work we have undertaken is provided below:



### 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 had identified no significant Value for Money risks.

Since undertaking our initial risk assessment and issuing our Audit Strategy Memorandum we have continued to monitor the Council's arrangements, and we have:

- updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports;
- reviewed the Council's Annual Governance Statement for any significant issues; and
- considered the Council's financial outturn position as presented in the financial statements.

From the work performed, no new significant Value for Money risks were identified and we have no matters to report.

### Our overall Value for Money conclusion

We have completed our procedures and, as set out in our draft auditor's report included at Appendix B, we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### To be provided to us on client headed note paper

Mark Surridge  
Director  
Mazars LLP  
45 Church Street  
Birmingham  
B3 2RT

[Date]

Dear Mark

### City of Lincoln Council - audit for year ended 31 March 2019

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 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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 financial statements and accounting information

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

#### My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance 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, Executive and Audit 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 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.

[continued]

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# 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 current or fair value, are reasonable.

I am satisfied that the valuation techniques, in respect of those financial assets carried at fair value through other comprehensive income and expenditure, including the related assumptions and models, used by management in determining accounting estimates under IFRS, are appropriate.

#### Contingencies

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

- the 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 undisclosed contingent gains which should be disclosed.

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

#### Laws and regulations

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

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

#### Fraud and error

I acknowledge my responsibility as Chief Finance 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:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

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

[continued]

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# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

#### 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.

#### 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.

#### 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.

#### 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, and the errors do not prevent the reader of the accounts from obtaining a true and fair understanding of the Council's financial position and performance.

Yours faithfully

Jaclyn Gibson  
Chief Finance Officer

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### 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 2019, 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of City of Lincoln Council as at 31<sup>st</sup> March 2019 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 2018/19.

##### 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.

##### 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 Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance 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.

##### 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.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

Key audit matter	Our response and key observations
<p><b>Valuation of property, plant and equipment, investment properties and assets held for sale</b></p> <p>The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (PPE), investment properties and assets held for sale.</p> <p>The Council employs valuation experts to provide information on valuations, because there is a high degree of estimation uncertainty associated with the (re)valuations of PPE, investment properties and assets held for sale due to the significant judgements and number of variables involved.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>critically assessed the Council's arrangements for ensuring that PPE, investment property and assets held for sale valuations are reasonable;</li> <li>critically assessed the data provided by Gerald Eve (an expert commissioned by the NAO), as part of our challenge of the reasonableness of the valuations provided by the Council's valuers;</li> <li>consider the competence, skills and experience of the valuers and the instructions issued to the valuers; and</li> <li>where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate.</li> </ul> <p>Aside from a non-material classification error, there are no significant matters arising from our testing, and we have concluded that the Council's property, plant and equipment, investment properties and assets held for sale are materially fairly stated.</p>
<p><b>Valuation of net defined benefit liability</b></p> <p>The financial statements contain material accounting entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>critically evaluated the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and</li> <li>challenged the reasonableness of the Actuary's assumptions that underpin the relevant entries made in your financial statements, through the use of an expert commissioned by the National Audit Office.</li> </ul> <p>There are no significant matters arising from our testing, although we do wish to bring the following to Members' attention.</p> <p>All local authorities have been affected by an accounting issue that impacts the value of pension liabilities. Two on-going legal cases (Guaranteed Minimum Pensions and McCloud/Sergeant) have created uncertainty over whether pension liabilities are fairly stated. The Council's actuary (via the Pension Fund) did not make an allowance in its actuarial valuation for either of these cases and early guidance given to councils was that the impact would not be material. The Council, as with nearly all local authorities in England, prepared the financial statements on this basis. In our view, these cases give rise to at least a constructive obligation, which is required to be recognised under IAS 19. As a result the Council obtained a revised valuation from the Pension Fund via its actuarial expert incorporating these two issues.</p> <p>This resulted in a non-material understatement of liabilities, for which the Council has updated the financial statements to reflect the changes identified in these revised valuations.</p>

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the financial statements and our audit. Materiality is used so we can plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. The level of materiality we set is based on our assessment of the magnitude of misstatements that individually or in aggregate, could reasonably be expected to have influence on the economic decisions the users of the financial statements may take based on the information included in the financial statements.

Based on our professional judgement, we determined materiality for City of Lincoln Council for the financial statements as a whole as follows:

<b>Overall materiality</b>	£1,757k
<b>Basis for determining materiality</b>	1.5% of gross expenditure at the Surplus/Deficit on Provision of Services Level
<b>Rationale for benchmark applied</b>	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.
<b>Performance materiality</b>	£966k
<b>Reporting threshold</b>	£53k
<b>Specific materiality</b>	<p>Officers' Emoluments £110k An error in the disclosure would materially affect the reader's view</p> <p>Officer's remuneration bandings £5k A sensitive item of account</p> <p>Members allowances £58k A sensitive item of account</p> <p>Audit fee £14k A sensitive item of account</p>

*Note 1: performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.*

*Note 2: the triviality threshold is the level under which individual errors (unless cumulatively material) are not communicated to the Audit and Governance Committee and is based on 3% of overall materiality.*

### 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.



# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

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 Council 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.

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 Finance 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 Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance 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 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance 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 Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 Finance 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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## 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 November 2017, 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 2019.

#### **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 November 2017, 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 2019.

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 one year covering the audit of the financial year ending 31 March 2019.

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 2018 to 31 March 2019, that have not been disclosed separately in the Statement of Accounts:

- Assurance services on the Housing Capital Receipts Pooling return for 2017/18.

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

45 Church Street  
Birmingham  
B3 2RT

September 2019

# 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.

We also confirm that we have received confirmation from our external experts regarding their independence.



## CONTACT

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Director

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Manager

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