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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 stylized flourish at the end.

**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.