

Audit Planning Update and Progress Report

East Lindsey District Council

Audit and Governance Committee March 2023



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01

Section 01:
Audit Progress

Purpose of this report

This report provides the Committee's March 2023 meeting with updates on:

- the 2020/21 and 2021/22 audits and any significant matters to date; and
- recent relevant reports and publications for your information (Section 2).

2020/21 Audit

We presented our Audit Completion Report for 2020/21 to the September 2021 meeting, and noted a number of areas of work as remaining outstanding at that point in time. On the 29th November 2021 we issued our Follow-up Letter to this report setting out our progress against these matters. We have summarised below the current position on the key elements of our work that still remain outstanding:

Whole of Government Accounts (WGA)

Whilst the National Audit Office has issued its auditor instructions for the 2020/21 WGA process they are yet to decide on a sample of authorities to undergo additional audit procedures. Whilst we have submitted the required certification to the NAO we are still unable to fully conclude this matter.

Audit Certificate

The Audit Certificate will be issued, and the audit formally 'closed', when the remaining stages set out above have been completed.

2021/22 Audit

The detailed Audit Strategy Memorandum for 2021/22 was reported to the April 2022 meeting and there have been no changes to the risks identified since that date.

Audit Reporting

Our main reporting outputs from our work will continue to be:

- 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

Financial Statements

We received the Council's draft financial statements on 4th July and our audit commenced on this date. Our work is progressing well although there are a small number of areas of work that still remain in progress, which we set out below:

Audit area	Status	Description of outstanding matters
Group accounts	Incomplete	The Council has a requirement for the first time to produce Group Accounts as a result of the growing activities of its subsidiary company INVEST East Lindsey Ltd. We are yet to receive these from management and our work over both the Council's consolidation arrangements and detailed testing of any material balances has yet to commence. We have been made aware however, of a qualification on the accounts of the Council's subsidiary company. We will need to discuss this with the Council's officers to fully understand the rationale for this and to consider the implications for our required audit work and impact on our audit report on the Council's Group Accounts.
Going concern	Incomplete	We have yet to receive management's own assessment to justify why its accounts should be prepared on a going concern basis.
Whole of Government Accounts (WGA)	Incomplete	NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time.

Elector Queries

Business Improvement District Levy:

We reported in our January 2023 progress report the receipt of correspondence from an elector relating to the representation and handling of the income from the Business Improvement District Levy, which we formally accepted an objection on East Lindsey District Council's Statement of Accounts for 2021/22.

Our work to consider this matter further is nearing its conclusion and we will report on its outcome in due course.

Failure to Comply with Complaints Procedure and Freedom of Information Request:

Following the receipt of correspondence from an elector by letter (dated 18 January 2023) in relation to the Council's failure to comply with its complaints and Freedom of Information request procedures, we are currently considering whether to accept this as a formal objection on East Lindsey District Council's Statement of Accounts for 2021/22.

We will update the Committee with our considerations on this matter in due course.

Value for Money Work

We are required to form a view 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 view, and sets out the overall criterion and sub-criteria that we are required to consider. Our responsibility is to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services.
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks.
3. **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.

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment

Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and members

Additional risk-based procedures and evaluation

Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.

Reporting

We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.

Our commentary will also highlight:

- Significant weaknesses identified and our recommendations for improvement
- Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist. As with our work on the financial statements, we need to ensure our approach appropriately considers the Council's partnership arrangements and the table below outlines the risk of significant weaknesses in arrangements that we have identified to date.

We will report any further identified risks to the Audit and Governance Committee on completion of our planning and risk identification work.

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures
1	<p>Accounting and Governance Arrangements of INVEST East Lindsey Ltd.</p> <p>We are still to receive group accounts from the Council in respect of its wholly owned subsidiary company INVEST East Lindsey Ltd. We are also aware that the statutory accounts in respect of this company have been qualified by its external auditors in relation to non-compliance with the Companies Act 2006, in particular the duty to keep adequate accounting records.</p> <p>We believe the above issues present a risk of significant weakness in the Council's arrangements for Governance (how the body ensures that it makes informed decisions and properly manages its risks) including:</p> <ul style="list-style-type: none"> • how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships; • how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.* 	-	●	-	<p>Our work will include, but not be limited to:</p> <ul style="list-style-type: none"> • Reviewing the detailed Audit Completion (ISA 260) Report from the external auditors to INVEST East Lindsey Ltd.; • Reviewing relevant internal audit reports; • Meeting with Officers, Internal Audit and, if necessary, the external auditors to INVEST East Lindsey Ltd.; and • Considering the relevant governance arrangements put in place by the Council over its investment in INVEST East Lindsey Ltd.

*Criteria as defined by Auditor Guidance Note 3 (AGN 03), Auditors' Work on Value for Money (VFM) Arrangements, December 2021

02

Section 02:

National publications

National publications

	Publication/update	Key points
National Audit Office (NAO)		
1	Good practice in annual reporting	The NAO published an interactive guide that provides examples of good practice in annual reporting.
Department for Levelling Up, Housing and Communities		
2	Department consultation – public inspection of Category 1 authority accounts 2022/23	The Department for Levelling Up, Housing & Communities (DLUHC) is requesting views on the current deadline for category 1 authorities to make their draft accounts available for public inspection.

NATIONAL PUBLICATIONS

National Audit Office

1. Good practice in Annual Reporting – February 2023

The NAO has published an [interactive guide](#) that provides examples of good practice in annual reporting, drawing on examples from the public sector and other organisations shortlisted for the Building Public Trust Awards, which recognise trust and transparency in corporate reporting.

The guide draws on examples of good practice for annual reporting from organisations who are leading the way in this area. These examples are grouped by the sections of an annual report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

It also provides further examples where bodies have made their reports easier to understand with the use of graphics, clear and accessible language and signposting. The list is not definitive, but the NAO hopes it provides ideas for all bodies in both the public and private sector to think about as they plan their annual reporting for 2022-23.

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

2. Department Consultation on public inspection of Category 1 authority accounts 2022/23 – February 2023

In March 2021 The Accounts and Audit (Amendment) Regulations 2021 amended the requirements about when accounts must be made available for public inspection for the 2020/21 and 2021/22 accounts, and provided that the period for the exercise of public rights needed to commence on or before the first working day in August in the following financial year.

For 2022/23, the statutory requirement for category 1 authorities is to make accounts available for public inspection for a period that includes the first 10 working days of June, effectively requiring them to be published by 31 May at the latest.

The Government is minded for this deadline to remain in place, but is interested in hearing stakeholders views via a short consultation.

<https://consult.levellingup.gov.uk/redmond-response-team/request-for-views-draft-accounts-deadline/>

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