

East Lindsey District Council

External Audit Progress Report

27 March 2024



Audit Progress: Executive Summary

Purpose of this report

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'). This report provides the March 2024 Audit and Governance Committee meeting with an update on progress in delivering our responsibilities as your external auditors as summarised below. It also includes, at Appendix A, a summary of recent national reports and publications for your information.

2021/22

We received the Council's draft financial statements on 4th July 2022 and our audit commenced on this date. We presented a progress update to the Committee in March 2023 which detailed the outstanding areas, including that we were yet to receive group financial statements. We presented a further progress report in November 2023 which updated the Committee that the outstanding areas remained outstanding. These items remain outstanding at the time of writing this report, and we have provided full detail of the outstanding areas on page 3.

We have however, been made aware of a qualification on the accounts of the Council's subsidiary company, as the company have failed to comply with the Companies Act requirement to keep adequate accounting records.

In addition, we have had discussions with the Council around the classification and valuation of caravans held for rental purposes within INVEST East Lindsey's accounts. As per the CIPFA code, group accounts must be prepared using uniform accounting policies. The accounting policies of the Council's subsidiary therefore need to be aligned with the policies of the Council for the purpose of group accounts, which would include revaluing the caravans held for rental, which we believe should be classified as Investment Properties, rather than PPE as they currently are within INVEST East Lindsey's accounts. The accounting policies are not consistent and the Council has been unable to source a valuer to perform the work and therefore do not have the information required to be able to make the appropriate adjustments when producing the group accounts.

If we are unable to obtain sufficient audit evidence to satisfy ourselves that the impact of not revaluing the caravans is not material, we may be required to issue a qualified opinion on the group accounts.


2022/23

Whilst we have commenced some initial planning work for the 2022/23 audit, we have not yet presented our Audit Strategy Memorandum for the year.

We are yet to receive final 2021/22 accounts as detailed above, and as such have not yet presented our 2021/22 Audit Completion Report. The findings from the 2021/22 audit may impact the 2022/23 accounts, and our initial planning and risk assessment for the audit. We are therefore unable to finalise our audit approach for 2022/23 at this stage.

Status of the 2021/22 audit

Audit area	Status	Description of the outstanding matters
Journals		We are still awaiting supporting evidence from the Council in respect of a number of its journal transactions.
Capital Financing		Whilst we have identified that the Council has incorrectly treated a number of its loans made to INVEST East Lindsey Ltd. as capital expenditure we are still awaiting managements review of these loans in order to be quantify the impact of the error.
Group accounts		We are yet to receive the Council's group accounts in respect of its consolidation of its wholly owned subsidiary INVEST East Lindsey Ltd. Until these are received we are unable to calculate our final group materiality levels and identify and undertake the work necessary over these figures.
Completion and quality control procedures		Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.
Whole of Government Accounts (WGA)		We are unable to undertake our work on the Council's WGA submission as this is required to be undertaken at a Group level and we are yet to receive group accounts.

 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.



Appendix A: Insights and publications

Public and Social Sector Insights

Click [here](https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights) to find and subscribe to our public and social sector articles (or copy and paste this link: <https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Public-and-Social-Sector-insights>).



Beyond efficiency: what's left for local government?

Today, the financial stability of local authorities is no longer guaranteed, placing public services and employment increasingly at risk. All of which means: it's time to take action.

Based on survey data, the 'Beyond efficiency report' looks to understand Councils' approaches to financial sustainability and risk



Supporting vulnerable communities

Against a backdrop of political uncertainty, unprecedented strike action and the prevailing cost of living crisis – itself a consequence of the conflict in Ukraine among other factors – many of the UK's most vulnerable communities are at risk of becoming more marginalised and face more hardship.



A global public and social sector study (2023)

The public and social sector is in a time of transformation. Expectations of organisations in the sector are higher than ever while financial constraints and regulatory burdens are increasing.

To understand some of the challenges leaders in this sector face and the steps they are taking to tackle them, we surveyed more than 100 public sector executives in five countries.



Why culture is critical to local government

The extent to which an organisation's culture supports the execution of its strategy, the management of risk and the treatment of its service users is increasingly under the spotlight, and weaknesses in culture are now frequently blamed for failings in these areas.

National publications

Publication / Update	Key points	Link
National Audit Office (NAO)		
NAO report – Government Resilience: Extreme Weather 5 December 2023	The NAO has published its report Government Resilience: Extreme Weather which examines how well-prepared the country is for future extreme weather events	Government resilience: extreme weather - NAO report
NAO Departmental overview: Department for Work and Pensions 2022-23 – 5 December 2023	The NAO has published its Departmental Overview of the Department for Work and Pensions (DWP) 2022-23. overview summarises information and insights gained from the NAO's examinations of DWP and related bodies and DWP's annual report and accounts.	Department for Work and Pensions 2022-23 - NAO overview
NAO insight: Good practice in annual reporting – 19 February 2024	The NAO has published a good practice guide on annual reporting which sets out principles of annual reporting that includes real-world examples of good practice for annual reporting from organisations from the public, private and charity sectors, who are leading the way.	Good practice in annual reporting - National Audit Office (NAO) insight
Whistleblowing in the civil service - 21 February 2024	The NAO has published a guide for people who deal with whistleblowers, investigate concerns or manage whistleblowing processes in government organisations.	Whistleblowing in the civil service - NAO insight
NAO good practice - Digital transformation in government: a guide for senior leaders and audit and risk committees 27 February 2024	The NAO has published a guide for senior leaders and audit and risk committees on Digital transformation in government. The guide can support those tasked with overseeing large-scale digital change to understand the core issues and pitfalls to avoid.	Digital transformation in government: a guide for senior leaders and audit and risk committees - NAO insight
Chartered Institute of Finance and Accountancy (CIPFA) and Department for Levelling Up, Housing and Communities (DLUHC)		
Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision - 21 December 2023	DLUHC is consulting on the statutory guidance and final form of the Minimum Revenue Provision Regulations. The deadline for responses was 16 February.	Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision - Department for Levelling Up, Housing and Communities - Citizen Space
Consultation on the Code of Practice on Local Authority Financial Reporting in the United Kingdom short term England-only measures to aid the recovery of local authority reporting and audit – 29 February 2024	CIPFA has launched its Invitation to Comment on short term proposals intended to help address the backlog of local authority audits. After considering a wide range of options CIPFA LASAAC decided to explore two approaches. These would affect the 2023/24 and 2024/25 Codes, by providing: > An option to simplify measurement of operational property plant and equipment using specified indexation, and > Reduced disclosures for pensions reporting, by aligning that reporting with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.	Consultation on short term England only measures in the Code CIPFA

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