



Audit Completion Report

East Lindsey District Council – year ended 31 March 2022

October 2024

Audit and Governance Committee
East Lindsey District Council
The Hub, Mareham Road
Horncastle
Lincolnshire
United Kingdom
LN9 6PH

11 October 2024

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 9 March 2022.

We have reviewed our Audit Strategy Memorandum and concluded that the significant audit risks and other key judgement areas set out in that report 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 at mark.Surridge@mazars.co.uk.

Yours faithfully

Mark Surridge

Forvis Mazars LLP

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.
Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

01

Executive Summary

Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 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 on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Valuation of the net defined benefit liability; and
- Valuation of land and buildings and investment properties.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations, including the need to improve the financial reporting arrangements currently in place, and section 6 sets out audit misstatements; unadjusted misstatements total £390k. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022.

At the time of preparing this report, there are no significant matters outstanding.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

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

We have identified a single risk of significant weaknesses in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources which will be concluded upon in our Auditor's Annual Report to be issued before 13 December 2024. Further detail on our Value for Money work is provided in section 7 of this report.



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. During the year we received and responded to a single objection in relation to of the Lincolnshire Coastal Business Improvement District, as well as several other items of correspondence from local electors. Further detail is provided in section 4 of this report.

02

Status of the audit

Status of our audit

Our audit work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion.

03

Audit Approach

Audit Approach

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 9 March 2022.

Materiality

Our provisional materiality at the planning stage of the audit was set at £2,000k for the group and £1,950k for the Council, using a benchmark of 2% of gross operating expenditure.

Based on the final financial statement figures and other qualitative factors, the final overall materiality we applied was £2,050k for the group and £1,900k for the Council (final performance materiality: £1,640k group, £1,520k Council; final clearly trivial threshold: £61k group, £57k Council).

Reliance on internal audit

No reliance has been placed on internal audit for the 2021/22 financial audit. Enquiries have been undertaken to aid our understanding of the overarching control environment at the Council.

Use of experts

In our Audit Strategy Memorandum we identified the following experts planned to be used by management in preparing the financial statements, and by ourselves in carrying out our audit. There are no changes to the planned approach or matters arising to report.

Item of account	Management's expert	Our expert
Property, plant and equipment	Internal valuer East Lindsey District Council Property Services	None
Pensions	Barnett Waddingham Actuary for Lincolnshire Pension Fund	PwC LLP Consulting actuary appointed by the NAO
Financial instrument disclosures	Link Asset Services Treasury management advisors.	None
Business rate appeals provision	InformCPI Ltd. Rating specialist.	None

Audit Approach

Group audit approach

Group component	Approach adopted	Key points or matters to report
East Lindsey District Council (parent)	●	Full audit
Invest East Lindsey Limited (subsidiary)	●	<ul style="list-style-type: none"> • Audit of material balances to the group accounts; • Review of the Council's consolidation processes and agreeing intra-group adjustments to supporting evidence; and • Undertaking group level analytical procedures
Public Sector Partnership Services Limited	●	<ul style="list-style-type: none"> • Review of the Council's consolidation processes and agreeing intra-group adjustments to supporting evidence; and • Undertaking group level analytical procedures.

Full audit
 Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

Audit of balances and/or disclosures
 Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality

Specific audit procedures
 Performance of specific audit procedures on the component's financial information

Review procedures
 Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

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Significant findings

Significant findings

Significant findings, including key areas of management judgement

In this section we outline the significant findings from our audit. These findings include

- 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 16 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;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant Risks

Management override of controls

Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

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 there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements

Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

Significant findings

Net defined benefit liability valuation

Description of the risk

The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

How we addressed this risk

To address this risk we have:

- Assessed the competency, objectivity and independence of the Lincolnshire Pension Fund's Actuary, Barnett Waddingham LLP;
 - Liaised with the auditors of the Lincolnshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation was complete and accurate;
 - Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided the consulting actuary engaged by the National Audit Office and considering the impact of IFRIC14 and asset ceilings; and
 - Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.
-

Audit conclusion

We have completed our work on the financial statements where our audit procedures identified both material and non-material misstatements in relation to these balances, which we report in Section 6.

Significant findings

Valuation of land and buildings and investment properties

Description of the risk

The Council's accounts contain material balances and disclosures relating to its holding of land and buildings within the caption of property, plant and equipment, as well as investment properties, with the majority required to be carried at valuation.

The valuation of these assets is complex and is subject to a number of management assumptions and judgements.

Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.

How we addressed this risk

To address this risk we have:

- Assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- Considered whether the overall revaluation methodologies used by the Council's valuer's are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- Assessed whether valuation movements are in line with market expectations by considering valuation trends; and
- Assessed the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer.

Audit conclusion

We have completed our work on the financial statements where our audit procedures identified a single non-material misstatement in relation to these balances, which we report in Section 6.

Significant findings

Key areas of management judgement

IT system change

Description of the management judgement

The Council has changed its core financial accounting systems in the year. The Council needs to have effective arrangements in place for managing the changeover and completely and accurately transferring information between the old and new systems.

How we addressed this area of management judgement

With support from our internal IT specialists, we have undertaken a high-level assessment of the data migration governance to address the completeness and accuracy of the system implementation. Our review considered the controls that ensure the migration was planned, tested, and conducted in line with business and technical requirements, not limited to:

- project roles and responsibilities defined;
- project plans defined;
- transitional service agreements established;
- data migration and cleansing strategy;
- identification of extracted data and the data transformation;
- sample testing of balances being transferred between the systems;
- user acceptance testing (UAT) requirements and outcomes; and
- project performance/data migration activities monitored.

Audit conclusion

No issues have been identified, that need to be brought to the attention of Members.

Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

We do note however, that the Council has again departed from MHCLG's Statutory Guidance on Minimum Revenue Provision in respect of its property fund assets. Whilst we are satisfied that the Council's rationale for this departure is reasonable and that its provision is prudent, we are aware that this is still an area of focus by MHCLG, CIPFA and the National Audit Office.

Whilst draft accounts were received from the Council on 5 July 2022 these were incomplete with no group accounts being included. It is noted that the accounting arrangements in respect of Invest East Lindsey Limited are completely divorced from the Council's usual arrangements, where the services of Public Sector Partnership Services Limited (PSPS) are utilised to provide the accounting support and produce the financial statements. It is felt that this division of responsibilities has partly led to the failure of the Council to fully recognise the accounting and reporting requirements arising in respect of groups and has hindered access to the information required to perform our audit.

We also note a marked deterioration in both the availability and standard of the Council's working papers produced to support the financial statements. We understand that this is as a result of staffing shortages and unanticipated work arising on the incorporation of Boston Borough Council into the Council's existing joint operation, and we have confirmed that management do not expect this situation to re-occur in future years.

Due to these issues we have raised associated internal control recommendations in Section 5.

Significant matters discussed with management

Significant matters discussed with management during our audit and which had implications for our audit testing and reporting included the Council's:

- accounting treatment in respect of the pensions settlement costs associated with the transfer of staff from Boston Borough Council to PSPS;
- accounting and capital financing entries in relation to its long term loans made to Invest East Lindsey Ltd.;

- accounting treatment in respect of the winding-up of one of its property fund holdings, including the appropriateness of its Minimum Revenue Provision;
- accounting requirements in respect of the consolidation of both the Council's associate company (PSPS) and its wholly owned subsidiary (Invest East Lindsey Limited); and
- requirement to align its group accounting policies in respect of its caravan rental stock to those of the Council.

Significant difficulties during the audit

During the course of the audit a number of significant difficulties were encountered, as outlined below, although we have had the full co-operation of management in resolving these:

- Incomplete accounts

The Council did not provide its initial group accounts for audit until May 2024, resulting in protracted delays in our audit work. This late provision has been exacerbated by the failure of Invest East Lindsey Limited to engage with PSPS officers over group reporting requirements and the need to provide the information necessary for the consolidation process.

- Poor quality working papers

The Council's finance team experienced a number of staffing issues during the accounts production and audit timeframe. As a result our audit has identified that the standard of the working papers provided to support the figures within the financial statements fell below our expectations. Examples include missing information, incorrect interpretation and application of guidance and incorrect population of supporting models, all resulting in incorrect disclosure of financial statement figures and additional time being required to resolve issues.

- Significant delays in management providing required information

We have faced a number of significant delays in the provision of requested information from management during the course of the audit, in some cases this taking in excess of a month to receive. As a consequence the audit has progressed at a far slower pace than envisaged.

We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the co-operation and support provided.

Significant findings

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 2021/22 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. During the year we received an objection in relation to the Lincolnshire Coastal Business Improvement District and confirmed that this met the statutory requirements in the Local Audit and Accountability Act 2014 to be accepted.

Following our review we concluded that:

- our work did not identify evidence that would lead us to conclude the Council has either entered into an unlawful arrangement or has recorded items of account in the draft 2021/22 financial statements should lead us to see a declaration from the Court; and
- that we did not intend to issue a report in the public interest and were satisfied that we were acting within the limits of our lawful use of our powers in the 2014 Act.

We have also received and engaged in correspondence from electors on the following matters:

- In March 2023, we received correspondence relating to a planning matter that had been ruled upon by the Local Government Ombudsman. The matter was not accepted as a valid objection.
- In May 2024, we received correspondence relating Parish Councils and setting of council tax, with supplementary correspondence received throughout the summer . The matter was not accepted as a valid objection, but follow up work has been performed, with any matters arising to be included in our Auditor's Annual Report in December 2024.

05

Internal control conclusions

Internal control conclusions

Overview of engagement

As part of our audit, we obtained an understanding of the Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to communicate to the Audit and Governance Committee, as Those Charged With Governance, any significant deficiencies in internal controls that we identified in during our audit.

Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Council's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which 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 report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

The deficiencies in the Council's internal controls that we have identified as at the date of this report are set out on the following pages.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of the Audit and Governance Committee.

The significant deficiencies in the Council's internal controls that we have identified as at the date of this report are in set out on the following pages.

Other observations

We also record our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

Our other internal control observations, as at the date of this report, are set out in this section. These have been reported to management directly and have been included in this report for your information.

Whether internal control observations merit attention by Audit and Governance Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Internal control conclusions

Significant deficiencies in internal control

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

Description of deficiency

Production of draft accounts and working papers

The availability of the Council's draft accounts and the availability and quality of its supporting working papers have seen a deterioration over previous years.

Potential effects

The lack of a complete set of draft accounts, including groups, for the start of the audit 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 future year-ends. Quality control procedures in respect of the accounts preparation process and supporting working papers need to be strengthened and the Council, in its closedown procedures, should include sufficient time for a robust quality control process to be implemented.

Management response

The PSPS Finance Team has seen a high staff turnover in the past 2 years, but is now in a resourced position to undertake the work required to complete the Financial Statements to the statutory deadline, along with producing the supporting working papers to the required standard. A timetable will be established well in advance of the 2024/25 year end, and relevant communications and training shared with the Council, in preparation for the year end process. Quarterly financial reporting is now also being completed in line with the Committee timetable.

Internal control conclusions

Description of deficiency

Oversight of group financial reporting requirements

The failure of the Council to produce its group accounts on the same timescale as its own single-entity accounts, and the associated delay in obtaining the information necessary from its wholly owned subsidiary, Invest East Lindsey Limited, has highlighted significant deficiencies in the Council's arrangements over group reporting.

As the Code requires group accounts to be prepared using uniform accounting policies for like transactions and other events in similar circumstances, a number of consolidation adjustments are required to re-align the accounts of subsidiaries to those of the Council. This further increases the need for close working arrangements to be in place to facilitate this process. Our audit found these to be lacking, in particular the failure of Invest East Lindsey to provide essential information to enable the consolidation to occur.

We also noted that the audit opinion on the financial statements of Invest East Lindsey Limited for the year ended 31 March 2022 was qualified in December 2022, citing non-compliance with the Companies Act regarding maintaining proper books and records. This outcome was included in a report from Internal Audit to the Audit and Governance Committee in September 2023. The audit opinion on the financial statements of Invest East Lindsey Limited for the year ended 31 March 2023 also contained a similar 'except for' paragraph for the same reasons in December 2023. The timeliness and clarity of reporting, including actions being taken to address the underlying issues, to the Audit and Governance Committee could be improved.

Potential effects

The lack of understanding over reporting requirements and the establishment of appropriate responsibilities and lines of communication with component entities can lead to significant problems with the production of group accounts. The lack of corporate oversight of this process also poses a risk over the Council's corporate governance arrangements.

Recommendation

The Council needs to ensure that it improves its skills and knowledge in relation to the requirements for group reporting and that it puts in place clear reporting and communication lines with both the consolidated company's accountancy team and external auditors. This will ensure that the group reporting team are fully apprised of the subsidiaries' activities and any associated implications for the group accounts.

In its role as those charged with governance over the group, the Audit and Governance Committee should ensure that it receives copies of the audited financial statements from all of its group entities, reviews these and considers any implications arising from them. Where necessary it should seek assurance from the Director's on how it will address any failings in governance identified.

Management response

This recommendation is helpful and will be taken on board, with far closer working relationships having been continually developed between the Council and the Company since the financial year 2021/22. Receiving Invest East Lindsey's audited accounts is a function of the Shareholder Supervisory Board as delegated by Council to it; for the avoidance of doubt, the Shareholder Supervisory Board were notified by the Company of its qualification upon receipt of its audited accounts in 2022 as required. It must also be noted that there was no failure on behalf of the Company to provide essential information to the Council; rather, whilst the format of the information presented in the Company's audited accounts was in accordance with the Companies Act, it was not in the alternative format required by the Council; arrangements are already in hand for that to occur.

Since the year end date 31 March 2023, considerable effort has been made to review the accounting records and to rectify the accounting entries for the year, enabling an unqualified audit opinion to be given by Duncan and Toplis.

Internal control conclusions

Description of deficiency

Alignment of Group Accounting Policies

The CIPFA Code requires group accounts to be prepared using uniform accounting policies and for the accounting policies of subsidiaries to be aligned with the policies of the reporting authority. Our testing has identified that the accounting policy of Invest East Lindsey Limited with respect to the categorisation of caravans held for rental does not require these assets to be classified as investment properties and be valued at fair value.

Potential effects

The Council is not fully complying with the requirements of the CIPFA Code which requires investment properties to be carried at valuation. This may lead to the incorrect values for investment properties being calculated and disclosed within the financial statements.

Recommendation

The Council should ensure that its subsidiary company Invest East Lindsey Limited reviews its accounting policy with regard to the categorisation and valuation of its caravan assets held for rental, to ensure that the accounting policies of both entities are aligned in accordance with the requirements of the CIPFA Code.

Management response

The Council will consider requesting that Invest East Lindsey Limited reviews its accounting policy with regard to the categorisation and valuation of its caravan assets held for rental, to enable the consolidation of the Company's Accounts into the Group Accounts

Internal control conclusions

Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Description of deficiency

Completion and review of control account reconciliations

Control accounts are used to ensure the completeness and accuracy of the processing of financial transactions and are an important tool to detect issues at an early stage. Our testing identified that that the December 2021 'Payroll Creditors and Payroll Control Account Reconciliation' was not completed until the 4 February 2022 and was not reviewed until the 13 September 2022.

Potential effects

A delay in the completion of control account reconciliations may lead to errors not being identified, investigated and corrected in a timely manner.

Recommendation

The Council should ensure all of its control accounts are reconciled on a timely basis, with any identified discrepancies being investigated with any necessary corrective action being taken. Where reconciliations are performed by junior members of staff these should be subject to review, again on a timely basis, to ensure that they are being undertaken correctly.

Management response

With effect from June 2024, payroll control accounts are being signed off within 10 days of completion on a monthly basis, in line with the SLA.

06

Summary of misstatements

Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £59,000 in the single entity financial statements.

The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management.

For both tables these errors would also have the same impact in respect of the Council's group accounts.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Strategy Memorandum, issued on 9 March 2022. Any subsequent changes to those figures are set out in the section 3 of this report.

Unadjusted misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: BS – Property, plant and equipment Cr: BS – Unusable reserves Extrapolated error in relation to the incorrect valuation of public conveniences. This error also has consequential implications for Note 13 in respect of Property, Plant and Equipment and Note 24 in respect of Unusable Reserves.			230	(230)
Dr: CIES – Income (Taxation and non-specific grant income and expenditure) Cr: BS – Short Term Debtors Dr: BS – Unusable reserves Cr: BS – Usable reserves Incorrect calculation of NNDR bad debt provision. This error also has consequential implications for the Movement in Reserves Statement, the Cash Flow Statement and its related notes, Note 6 in respect of Expenditure and Funding Analysis, Note 7 in respect of Expenditure and Income Analysed by Nature, Note 8 in respect of Adjustments between Accounting Basis and Funding Basis Under Regulation, Note 9 in respect of Transfers To/From Earmarked Reserves, Note 12 in respect of Taxation and Non Specific Grant Income and Expenditure, Note 18 in respect of Debtors, Note 24 in respect of Unusable Reserves, and the Collection Fund and its related notes.	80		80	(80) (80)
Aggregate effect of unadjusted misstatements	80	0	310	(390)

Summary of misstatements

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Audit and Governance Committee as Those Charged With Governance should be made aware of.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: CIES – Expenditure (Finance) Dr: CIES – Expenditure (Wellbeing and community leadership) Dr: CIES – Expenditure (Corporate) Cr: CIES – Expenditure (Financing and investment income and expenditure) Incorrect disclosure of the pension settlement costs arising on the expansion of the Council's joint operation PSPS Ltd. This error also has consequential implications for Notes 6/6A in respect of the Expenditure and Funding Analysis, Note 7 in respect of Expenditure and Income Analysed by Nature, Note 11 in respect of Financing and Investment Income and Expenditure, Note 36 in respect of Defined Benefit Pension Schemes and Note 40 in respect of Joint Operations.	662 236 210	(1,108)		
Dr: BS – Long term debtors Cr: BS – Short term debtors Incorrect analysis of INVEST East Lindsey Ltd loan balances. This error also has consequential implications for Note 17 Financial Instruments and Note 18 Debtors.			187	(187)
Dr: CIES – Income (Other operating expenditure) Cr: CIES – Income (Financing and investment income and expenditure) Incorrect treatment of property fund distributions. This error also has consequential implications for the Movement in Reserves Statement, the Cash Flow Statement and its related notes, Notes 6/6A in respect of Expenditure and Funding Analysis, Note 7 in respect of Expenditure and Income Analysed by Nature, Note 8 in respect of Adjustments between Accounting Basis and Funding Basis Under Regulation, Note 9 in respect of Transfers To/From Earmarked Reserves, Note 10 in respect of Other Operating Expenditure, Note 11 in respect of Financing and Investment Income and Expenditure and Note 17 in respect of Financial Instruments.	547	(547)		

Summary of misstatements

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Cr: CIES – Expenditure (General fund assets) Cr: CIES – Expenditure (Finance) Cr: CIES – Expenditure (Economic growth) Cr: CIES – Expenditure (Governance) Cr: CIES – Expenditure (Wellbeing & community leadership) Cr: CIES – Expenditure (Corporate) Cr: CIES – Expenditure (Neighbourhoods) Cr: CIES – Expenditure (Planning & strategic infrastructure) Cr: CIES – Expenditure (Regulatory) Dr: BS – Other long term liabilities Dr: BS – Usable reserves Dr: BS – Unusable reserves Revised IAS19 valuation following identified changes in actuarial assumptions as part of the wider fund triennial revaluation exercise. This error also has consequential implications for Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Cash Flow Statement, Notes 6/6A in respect of the Expenditure and Funding Analysis, Note 7 in respect of Expenditure and Income Analysed by Nature, Note 8 in respect of Adjustments between Accounting Basis and Funding Basis Under Regulation, Note 24 in respect of Unusable Reserves and Note 36 in respect of Defined Benefit Pension Schemes.		(8) (63) (2) (3) (17) (3) (26) (7) (12)	3,684 141	(3,684)
Cr: BS – Usable reserves Dr: BS – Unusable reserve Incorrect treatment of loans to INVEST East Lindsey Limited as capital instead of revenue. This error also has consequential impacts for the Movement in Reserves Statement, Notes 6/6A in respect of the Expenditure and Funding Analysis, Note 8 in respect of Adjustments between Accounting Basis and Funding Basis Under Regulation, Note 9 in respect of Transfers to/from Earmarked Reserves, Note 24 in respect of Unusable Reserves and Note 34 in respect of Capital Expenditure and Financing.			759	(759)

Summary of misstatements

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: CIES – Expenditure (General fund assets)	1			
Cr: CIES – Expenditure (Finance)		(773)		
Cr: CIES – Expenditure (Economic growth)		(1)		
Cr: CIES – Expenditure (Wellbeing & community leadership)		(275)		
Cr: CIES – Expenditure (Corporate)		(245)		
Cr: CIES – Income (Finance)		(419)		
Cr: CIES – Expenditure (Financing and investment income and expenditure)		(591)		
Dr: CIES – Income (Financing and investment income and expenditure)	413			
Cr: BS – Property, plant and equipment				(2)
Cr: BS – Intangible assets				(306)
Dr: BS – Short term debtors			10	
Cr: BS – Cash and cash equivalents				(972)
Dr: BS – Short term creditors			251	
Dr: BS – Other long term liabilities			5,999	
Dr: BS – Usable reserves			2,597	
Dr: BS – Unusable reserves				(5,687)
Incorrect consolidation of PSPS Ltd. as a joint operation. This error also has consequential implications for the majority of the other statements and notes within the financial statements, including the need for additional group accounts to be produced.				
Aggregate effect of adjusted misstatements	2,069	(4,100)	13,628	(11,597)

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

- Cash Flow Statement and related notes: Incorrect extraction of figures for cash flows;
- Note 7 – Expenditure and income analysed by nature: Incorrect disclosure of grant income as fees and charges income
- Note 17 – Financial instruments: Incorrect calculation and analysis of amounts required to be disclosed;
- Note 24 – Capital Adjustment Account : Incorrect analysis of in-year movements;
- Note 30 – Officers’ Remuneration: Incorrect disclosure of the salary and exit package information of the Deputy Chief Executive - People;
- Note 31 – External Audit Costs: Incorrect analysis of in-year costs;
- Note 32 – Grant Income : Incorrect classification of grant receipts;
- Note 34 – Capital Expenditure and Financing: Incorrect analysis of in-year movements;
- Note 36 – Defined Benefit Pension Schemes: Incorrect disclosure of employer contributions to the scheme in 2022/23; and
- Note 38 – Nature and Extent of Risks Arising From Financial Instruments: Incorrect disclosure of the exposure to credit risk in respect of debtors and investments.

07

Value for Money

Value for Money

Approach to Value for Money

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

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **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.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

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

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report later in December 2024.

Status of our work

We are yet to conclude our work in respect of the Council's arrangements for the year ended 31 March 2022. Although our work in this area of the audit is ongoing, at the time of preparing this report, we have identified a single risk of significant weakness in arrangements where we are undertaking further work. We provide further details on the next page.

Our draft audit report at Appendix B outlines that as we have not yet completed our work in relation to the Council's arrangements, we cannot formally conclude the audit and issue an audit certificate until we have done so. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report later in December 2024.

Value for Money

Risks of significant weaknesses in arrangements

As our work has progressed, we have identified the areas below as a matter to warrant further review. This work has progressed, with residual steps to complete mainly being our internal consultation process. We will report the outcome of this in our Auditor's Annual Report in December 2024

Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned work
<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>To address this risk of significant weakness in arrangements we will:</p> <ul style="list-style-type: none"> • review the detailed Audit Completion (ISA 260) Report from the external auditors to Invest East Lindsey Ltd.; • review relevant internal audit reports relating to Invest East Lindsey Ltd.; • meet with Officers and Internal Audit; and • Consider the relevant governance arrangements put in place by the Council over its investment in Invest East Lindsey Ltd. <p>We are currently in the final processes of concluding our work in this area and which will be reported in our Auditors' Annual Report to be issued later before December 2024.</p>

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications

Appendix A: Draft management representation letter

Forvis Mazars LLP
2 Chamberlain Square
Birmingham
B3 3AX

xx October 2024

Dear Sirs

East Lindsey District Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of East Lindsey District Council (the Council and Group) for the year ended 31 March 2022 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 2021/22 (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 ourselves 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 applicable law and the Code.

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 and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Deputy Chief Executive Corporate Development 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.

Appendix A: Draft management representation letter

Accounting records

I confirm that all transactions undertaken by the Council and Group have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and 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 the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council and Group's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council and Group in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Contingencies

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

- 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 contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council and Group 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.

Appendix A: Draft management representation letter

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 and Group 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 Deputy Chief Executive Corporate Development 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 and Group 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 and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed to you in accordance with the requirements of the Code and applicable law.

I have disclosed the identity of the Council and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary

Appendix A: Draft management representation letter

Charges on assets

All the Council and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

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.

Impacts of Russian Forces entering Ukraine

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Covid-19

We confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Council and Group, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group 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.

Appendix A: Draft management representation letter

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council and Group's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council and Group's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements identified at the appendix to this letter are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Deputy Chief Executive Corporate Development

Appendix B: Draft audit report

Independent auditor's report to the members of East Lindsey District Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of East Lindsey District Council ('the Council') and its subsidiaries and associates ('the Group') for the year ended 31 March 2022, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Council 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2022 and of Council's and Group's 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 2020/21.

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 and Group 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, 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

In auditing the financial statements, we have concluded that the Deputy Chief Executive Corporate Development and Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Deputy Chief Executive Corporate Development and Section 151 Officer with respect to going concern are described in the relevant sections of this report.

Appendix B: Draft audit report

Other information

The Deputy Chief Executive Corporate Development and Section 151 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 Deputy Chief Executive Corporate Development and Section 151 Officer for the financial statements

As explained more fully in the Deputy Chief Executive Corporate Development and Section 151 Officer's Responsibilities, the Deputy Chief Executive Corporate Development and Section 151 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 2021/22, and for being satisfied that they give a true and fair view. The Deputy Chief Executive Corporate Development and Section 151 Officer is also responsible for such internal control as the Deputy Chief Executive Corporate Development and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Deputy Chief Executive Corporate Development and Section 151 Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Deputy Chief Executive Corporate Development and Section 151 Officer is responsible for assessing each year whether or not it is appropriate for the Council and Group 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

Appendix B: Draft audit report

We evaluated the Deputy Chief Executive Corporate Development and Section 151 Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Governance Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Governance Committee. 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.

We are also required to conclude on whether the Deputy Chief Executive Corporate Development and Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

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. This description forms part of our auditor's report.

Appendix B: Draft audit report

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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.

Use of the audit report

This report is made solely to the members of East Lindsey District 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.

Appendix B: Draft audit report

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and completed the necessary work on the Whole of Government Accounts

Mark Surridge, Key Audit Partner
For and on behalf of Forvis Mazars LLP

2 Chamberlain Square
Birmingham
B3 3AX

xx xx 2024

Appendix C: Confirmation of our 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.

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Deputy Chief Executive Corporate Development that the Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements..</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
<p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and where appropriate the Audit and Governance Committee, confirming that</p> <ul style="list-style-type: none"> a) they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b) they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c) they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and d) they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Contact

Forvis Mazars

Mark Surridge

Partner

mark.surridge@mazars.com

Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

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