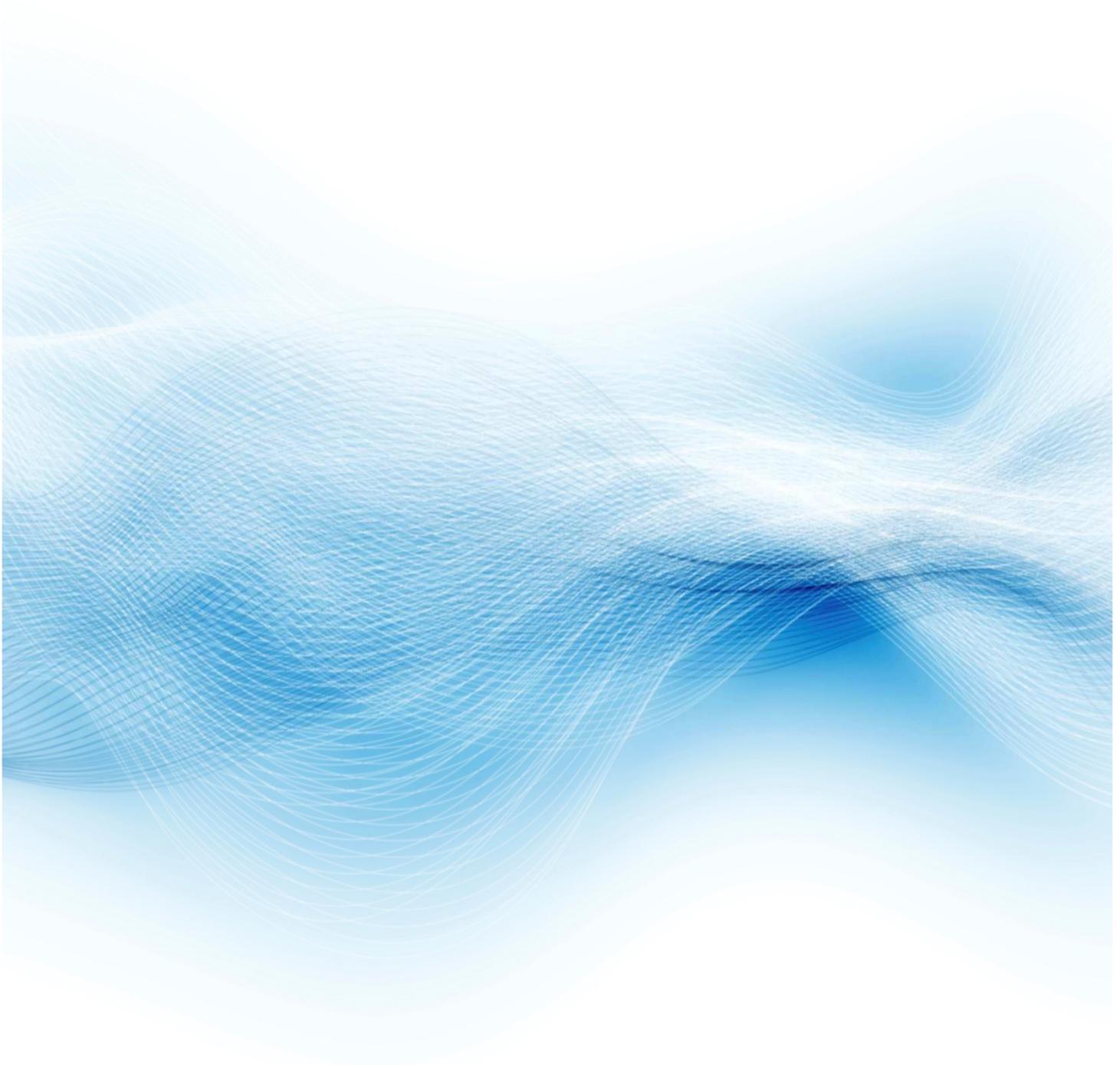
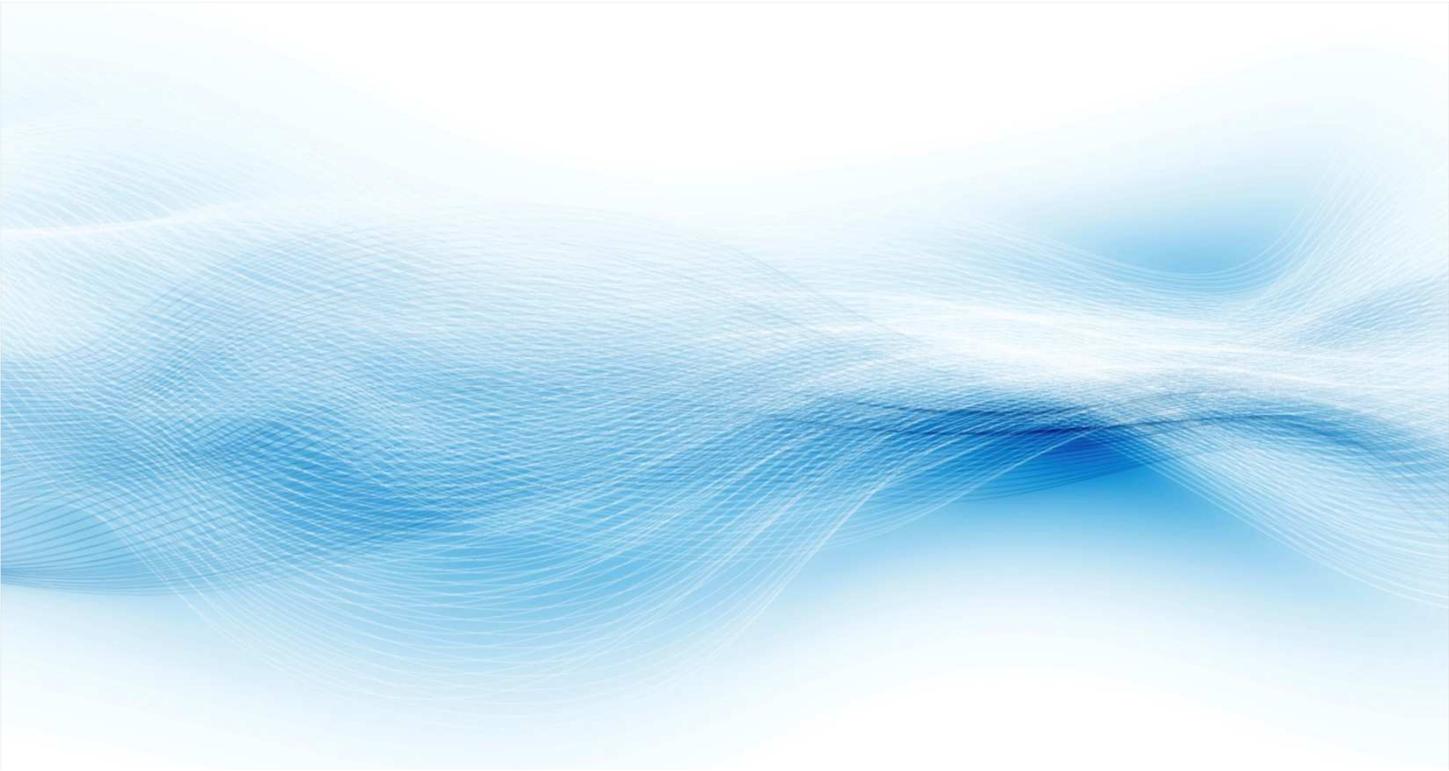




# Audit Completion Report

North Lincolnshire Council  
Year ending 31 March 2019





## CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence and fees

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 North Lincolnshire Council are prepared for the sole use of North Lincolnshire Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Audit Committee  
North Lincolnshire Council  
Church Square House  
30 -40 High Street  
Scunthorpe  
DN15 6NL

19 July 2019

Dear Members

**Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 27 March 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 394 5315.

Yours faithfully

Mark Kirkham  
Mazars LLP

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.  
VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of North Lincolnshire Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Audit Committee meeting on 26 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of control;
- property, plant and equipment valuation; and
- defined benefit liability valuation.

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

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

### Value for money conclusion

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

### 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. We have received no objections in respect of the 2018/19 statement of accounts.

Executive summary

Significant findings

Internal control recommendations

Summary of misstatements

Value for money conclusion

Appendices

# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Journals	●	Finalisation of our journals testing.
Related Parties	●	Agreement of the related party disclosures to supporting documentation
Property, Plant and Equipment	●	Completion of our review of asset values against market trends Finalisation of our work on agreement of the Asset Register to the Financial Statements Valuations – completion of our work on this area. Review of transfers from Assets Under Construction Review of the reconciliation between the Asset Register and Technology Forge Finalisation of our work on Assets Held for Sale
Reserves and Movement in Reserves Statement	●	Finalisation of our audit procedures to ensure consistency with other areas of the accounts.
Financial Instruments	●	Finalisation of our audit procedures to ensure the disclosure in in line with the new accounting standard (IFRS 9)
Collection Fund	●	Completion of our audit procedures
Debtors and Creditors	●	Review of the year end control accounts
Payroll testing	●	Finalisation of our testing
Exit Packages	●	We are awaiting the supporting information for 2 items within our sample
Members Allowances	●	Completion of our audit procedures
Cash and Cash Equivalents	●	Finalisation of our audit procedures
Investment Properties	●	Finalisation of our audit procedures in relation to valuation

# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and value for money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions	●	Finalisation of our audit procedures.
Leases	●	Completion of our audit testing.
Final Financial Statements	●	We will review a final set of financial statements following resolution of the above queries.

## Status

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

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

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £5.595m using a benchmark of 1.5% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £5.908m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee, at £168k based on 3% of overall materiality).

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations. Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

Executive summary

Significant findings

Internal control recommendations

Summary of misstatements

Value for money conclusion

Appendices

## 2. SIGNIFICANT FINDINGS

Set out below are 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 9 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 and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

#### Significant risk

Management override of controls

#### Description of the risk

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. Because of 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 by performing audit work in the following areas:

- accounting estimates impacting on amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

Subject to resolution of outstanding matters on page 5, there are no matters arising from our work on management override of controls.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for money  
conclusion

Appendices

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant Risk	Description of the risk
Property, Plant and Equipment valuation	<p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.</p> <p>Although the Council employs external experts to provide information on valuations, there remains a high degree of estimation uncertainty associated with the valuation of PPE due to the significant judgements and number of variables involved in providing valuations.</p> <p>In addition, as a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.</p>

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### How our audit addressed this risk

We have:

- assessed the valuer's scope of work, qualifications, objectivity and independence to carry out the Council's programme of revaluations;
- considered whether the overall revaluation methodology used by the valuer is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- critically assessed the appropriateness of the underlying data and the assumptions used in the valuer's calculations, based on our expectations by reference to sector and local knowledge;
- considered the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;

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### Audit conclusion

Our work on this risk is still in progress. Subject to resolution of outstanding matters on page 5, there are no matters arising from our work on valuation of Property, Plant and Equipment.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant Risk

Defined Benefit  
Pension Liability  
Valuation

### Description of the risk

The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of the East Riding of Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.

---

### How our audit addressed this risk

We have:

- critically assessed the competency, objectivity and independence of the East Riding of Yorkshire Pension Fund's Actuary, Hymans Robertson;
- liaised with the auditors of the East Riding of Yorkshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is 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 will include comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; 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 financial statements.

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### Audit conclusion

Our work on this risk is still in progress. Legal rulings in respect of GMP equalisation and the McCloud judgment relating to transitional provisions creates additional defined benefit liabilities. These were not taken account of in the actuary's estimate of the defined benefit liability. Management has liaised with the actuary to identify the impact of these rulings on the defined benefit liabilities. The GMP ruling has the effect of increasing the pension liability by £760k and McCloud increases the liability by £1.4m. Management has adjusted the financial statements for these changes. This is included in the adjusted misstatements in Section 4.

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Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for money  
conclusion

Appendices

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances. Draft accounts were received from the Council, by the statutory deadline on 31 May 2019, and were of a good quality.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. Queries were dealt with promptly allowing the audit to progress well.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported here would be limited to those deficiencies and other control recommendations that we identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified matters to report..

We have no internal control recommendations to bring to your attention.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for money  
conclusion

Appendices

## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, which are above our trivial threshold of £168k.

There are no unadjusted misstatements to report to the Audit Committee.

The table below outlines the misstatements that have been adjusted by management during the course of the audit.

Following submission of the draft financial statements, officers identified an amendment required. This amendment was in relation to applying indexation to assets that had not been revalued in the year. This has had the effect of increasing asset values by £3.9m and increasing the depreciation charge by £118k. The financial statements have been amended for this adjustment.

### Adjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Cost of services – Governance and Partnerships	1,426		
	Dr: Financing and investment income and expenditure	19		
	Cr: Pensions Liability			(1,445)
	Dr: Pensions Reserve		1,445	
	Cr: MiRS – General Fund	(1,445)		

Revision of net pensions liability of the Council's own LGPS staff to reflect the impact of the McCloud judgment. This change in estimate also has consequential impacts for the cash flow statement and Notes 7,8,9,12,25,26 and 39. This has no impact on the Council's financial position or funds available to the tax payer.

2	Dr: Cost of services – Governance and Partnerships	763		
	Dr: Financing and investment income and expenditure	10		
	Cr: MiRS – General Fund		(773)	
	Cr: Pensions Liability			(773)
	Dr: Pensions Reserve		773	

Revision of net pensions liability of the Council's own LGPS staff to reflect the impact of the GMP judgment based on information provided by the Actuary. This change in estimate also has consequential impacts for the cash flow statement and Notes 7,8,9,12,25,26 and 39 although no impact on the funds available to the tax payer.

3	Dr: Creditors		5,455	
	Cr: Bank			(6,546)
	Dr: Debtors		1,091	

This adjustment reflects payments that were made in the bank on 29<sup>th</sup> March but were not updated in the ledger until 3<sup>rd</sup> April, and thus were originally recorded in the accounts as a creditor. This also affects Notes 20, 21, 23 and 26

## 4. SUMMARY OF MISSTATEMENTS

### Disclosure amendments

During the course of the audit we identified a small number of disclosure changes which are detailed below. All have been adjusted for in the final version of the financial statements.

1. Note 33 – External Audit Costs – the Note has been updated to show the audit fee for the 2018/19 Housing Benefit Assurance Work which was omitted from the original disclosure.
2. Note 18 – Financial Instruments – the disclosure has been updated to reflect the requirements of IFRS 9.
3. Note 36 – Related Parties – The disclosure has been updated to include details of income, expenditure and any debtors and creditors with each related party.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for money  
conclusion

Appendices

## 5. VALUE FOR MONEY CONCLUSION

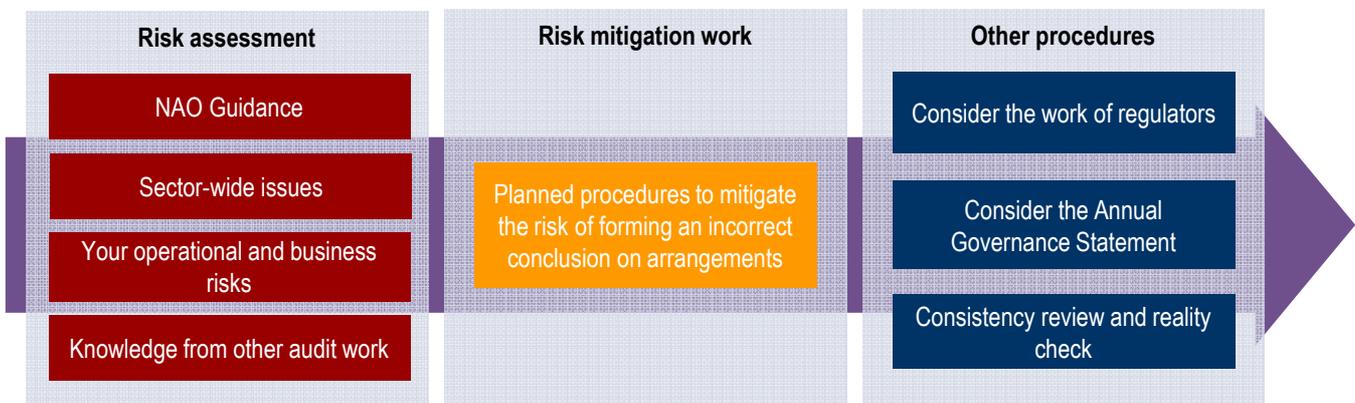
### Our audit approach

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making ;
- sustainable resource deployment; and
- working with partners and other third parties.

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



### Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified a significant audit risk in relation to sustainable resource deployment. Since issuing our Audit Strategy Memorandum we have updated our risk assessment and confirm we have identified no further significant audit risks in respect of our value for money conclusion.

### Overall value for money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified conclusion for the 2018/19 financial year.



## 5. VALUE FOR MONEY CONCLUSION

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

### Arrangements in place?

#### Informed decision making

Yes

The Council operates an Executive with a Leader and Cabinet model, and this is governed by a Council Constitution including all of the normal features of an effective governance framework in local government.

The Council Plan sets out priorities which include growing the economy, keeping people safe and well, enabling communities to flourish. Delivery is monitored in quarterly performance reports. New decisions are supported by reports that outline options and relevant considerations, including references to financial, legal and performance issues where appropriate.

There is evidence of financial reporting being used to deliver strategic objectives, for example, through the Medium Term Financial Strategy and in allocating resources to priority areas. In addition, regular financial reporting takes place, with formal reporting quarterly to Cabinet.

Performance issues are included in reports where appropriate, and overall performance outcomes are monitored quarterly and also included in the Council's Annual Report.

The Council has a Risk and Opportunities Protocol in place, and the Audit Committee oversees the governance framework including the work of internal audit.

The Council's Annual Governance Statement includes a balanced assessment of the effectiveness of the Council's governance arrangements and identifies appropriate areas for further improvement.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for money  
conclusion

Appendices

## 5. VALUE FOR MONEY CONCLUSION

Arrangements in place?

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### Sustainable resource deployment

Yes

The Council has made progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions.

In recent years the Council has embarked on a transformation project, with the aim of making the Council more sustainable. Council transformation has been effective in adopting more efficient systems through greater use of digital technology and becoming more agile. The Council is continuing its transformation journey, bringing complementary areas of activity together. This includes commissioning activity, which now has a broader remit. Efficiencies have been made as a result of a series of contract reviews, in addition to lower activity in some areas. The Council have a risk and transformation reserve which is used to fund these projects.

The Council continues to deliver its financial plans and the 2018/19 outturn achieved a £132k underspend against the general fund budget.

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### Working with partners and other third parties

Yes

The Council works with a range of third parties. The Shared Service with North East Lincolnshire is a strong example.

The Council works closely with other public sector organisations across North Lincolnshire. For example the Place Board brings the Chief Executives from the Humberside area together to deliver better outcomes for residents of the area, in a more efficient way.

The Council has procurement procedures in place and maintains a contracts register. The Council seeks to achieve best value from the procurement process, driving savings where possible, but also aiming to deliver sustainable services.

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Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for money  
conclusion

Appendices

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our value for money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant audit risk. The work we carried out in relation to the significant risk is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Financial sustainability</b> The Council's medium term financial plan (MTFP) for the period 2019/20 to 2022/23 sets out the financial challenges the Council faces in the medium term. The MTFP indicates future savings are required of £6.9m in 2020/21, £8.6m in 2021/22 and £8.6m in 2022/23.</p> <p>The continuing challenges the Council faces are not new and are not unique to North Lincolnshire Council. The challenges do, however, present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financial sustainability over the medium term.</p>	<p>We reviewed the arrangements the Council has in place for ensuring financial resilience. Our work included:</p> <ul style="list-style-type: none"> <li>- ensuring that the medium term financial plan has taken into consideration factors such as funding reductions, salary and general inflation, demand pressures and restructuring costs.</li> <li>- reviewing the arrangements in place to monitor progress in delivering the budget and related savings plans.</li> </ul>	<p>The Council has revised its MTFP for 2019/20 to 2021/22 to ensure it is based on appropriate assumptions (income projections, central government funding, pay and non-pay inflation) and recognises the risks associated with these assumptions.</p> <p>The Council delivered a balanced budget for 2018/19 and recorded a small budget underspend of £132k.</p> <p>The Council has an innovative way of dealing with budget pressures and its focus is on generating new delivery models rather than a traditional focus on generating savings.</p> <p>Arrangements are in place to monitor progress in delivering the budget. Action plans are produced where needed and reporting on savings is carried out on an exceptions basis and is part of the regular budget monitoring process.</p> <p>The financial outlook remains challenging but the Council has arrangements to manage these challenges in the medium term.</p>

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

North Lincolnshire Council  
Church Square House  
30 -40 High Street  
Scunthorpe  
DN15 6NL

[Date]

Dear Mark

### North Lincolnshire Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of North Lincolnshire Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy 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 the Code and applicable law.

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

I have provided you with:

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

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### Accounting records

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

Executive summary

Significant findings

Internal control recommendations

Summary of misstatements

Value for money conclusion

Appendices

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### Accounting estimates, including those measured at fair value

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

### 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 North Lincolnshire Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### Laws and regulations

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

### Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting North Lincolnshire Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting North Lincolnshire Council'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 in accordance with the requirements of the Code and applicable law.

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

### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for money  
conclusion

Appendices

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### Going concern

To the best of my knowledge there is nothing to indicate that North Lincolnshire Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### Unadjusted misstatements

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

Yours faithfully

Chief Finance Officer.....

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for money  
conclusion

Appendices

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of North Lincolnshire Council Report on the financial statements

#### Opinion

We have audited the financial statements of North Lincolnshire Council for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of North Lincolnshire Council as at 31<sup>st</sup> March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of North Lincolnshire Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about North Lincolnshire Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for money  
conclusion

Appendices

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Finance & Corporate Services Director is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless North Lincolnshire Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for North Lincolnshire Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Conclusion on North Lincolnshire Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, North Lincolnshire Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for money  
conclusion

Appendices

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether North Lincolnshire Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether North Lincolnshire Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, North Lincolnshire Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Responsibilities of North Lincolnshire Council

North Lincolnshire 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 North Lincolnshire Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of North Lincolnshire Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Use of the audit report

This report is made solely to the members of North Lincolnshire 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 North Lincolnshire 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 North Lincolnshire Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### Certificate

We certify that we have completed the audit of North Lincolnshire Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

Mark Kirkham  
For and on behalf of Mazars LLP  
5<sup>th</sup> Floor  
3 Wellington Place  
Leeds  
LS1 4AP

[Insert date]

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for money  
conclusion

Appendices

# APPENDIX C

## INDEPENDENCE AND FEES

### Auditor 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.

### Audit & non-audit fees

We reported our expected audit fees in our Audit Strategy Memorandum. Below we report the audit and non-audit fees at this, our Audit Completion phase. We confirm that we have no additional work to report.

Audit fees	2018/19 (actual)	2018/19 (planning)
Code Audit Work	£80,186 + VAT	£80,186 + VAT
Non- audit fees:		
Housing Benefit Subsidy Assurance	£7,800 + VAT	£7,800 + VAT

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for money  
conclusion

Appendices

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