



Audit Completion Report North East Lincolnshire Council – year ended 31 March 2024

February 2025

Those Charged With Governance
North East Lincolnshire Council
Municipal Offices
Town Hall Square
Grimsby, North East Lincolnshire
DN31 1HU

February 2025

Forvis Mazars
2 Chamberlain Square
Birmingham
B3 3AX

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2024

We are pleased to present our Audit Completion Report for the year ended 31 March 2024. 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 24th July 2024.

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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01

Executive Summary



Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2023/24 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:

Significant risks

- Management override of controls;
- Valuation of the LGPS defined benefit pension
- Valuation of Land, Buildings, and Investment Properties; and

Enhanced risks

- Revenue expenditure funded from capital under statute (REFCUS)

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. 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 2024.

At the time of preparing this report, the significant matters that remaining outstanding are outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

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 anticipate having one continuing significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received final clarity on group instructions from the National Audit Office in respect of our work on the Council's WGA submission.



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. No such correspondence from electors has been received.

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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, subject to the satisfactory resolution of the outstanding matters set out below.

Management override We are awaiting responses to our fraud risk enquiries from those charged with governance.	●
Revenue expenditure funded by capital under statute We have received responses to our queries and are compiling and concluding on this area.	●
Valuation of land and buildings We have a small number of queries to resolve on our testing of assets valued under the Existing Use Valuation methodology.	●
Debtors and receivables We are finalising our work on the Council's methodology for expected credit losses.	●
Cash and cash equivalents We are finalising evidence on one reconciling item.	●
Leases We are finalising evidence on one lease.	●
Completion procedures Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report. We are working through several follow-up queries across various areas raised through our review processes.	●

Status



Likely to result in a material adjustment or a significant change to disclosures in the financial statements.



Potential to result in a material adjustment or a significant change to disclosures in the financial statements.



Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.



Work on value for money arrangements

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.

Materiality

Our materiality levels from planning through to the final stage is set out in the table below. There have been no changes to the materiality benchmarks we communicated in the Audit Strategy Memorandum.

	Planned £'000	Final £'000
Overall materiality	7,270	7,375
Performance materiality	5,816	5,900
Clearly trivial	218	221
Specific materiality – Senior Officer remuneration (named individuals)	5	5

Reliance on internal audit

No reliance has been placed on internal audit for the 2023/24 financial audit. Enquiries have been undertaken to aid our understanding of the overarching control environment at the Council

Use of experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. No changes have been made to those outlined in our Audit Strategy Memorandum.

Item of Account	Management's expert	Our expert
Defined benefit liability	Hymans Robertson Actuary for East Riding Pension Fund	PWC Consulting actuary appointed by the NAO
Property, plant, and equipment, investment properties and asset held for sale valuations	External valuer Equans Limited	None deployed.
Financial instrument disclosures	Link asset services Treasury management advisors	Not applicable

04

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

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

Except for the position statement as set out in Section 2, our work is complete in this area and there have been no issues to bring to the attention of Members.

Should anything arise from the clearance procedures, we will summarise this in a follow up letter to the Committee.

Significant findings

Valuation of the LGPS defined benefit pension net liability

Description of the risk

The Council is an employer in the Local Government Pension Scheme, administered on a local level by the East Riding Pension Fund.

The defined benefit assets and liabilities are significant items in the Council's balance sheet and the Council engages an actuary to perform an annual valuation in accordance with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have identified a significant risk in this area.

How we addressed this risk

We addressed this risk by:

- Critically assessing the competency, objectivity and independence of the East Riding Pension Fund's Actuary;
 - Liaising with the auditors of the East Riding Pension Fund to gain assurance over the design and implementation of the controls in place at the Pension Fund. This included 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;
 - Reviewing 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 by PwC and consulting actuary engaged by the National Audit Office; and
 - Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries disclosures in the Council's financial statements, including considerations of the accounting requirements of IFRIC 14.
-

Audit conclusion

Our work obtained the assurances we sought and there are no significant matters to raise.

Significant findings

Valuation of land, buildings and investment properties

Description of the risk

Land and buildings within Property, Plant and Equipment (PPE) and Investment Properties are significant items on the Council's balance sheet.

The valuation of land, buildings and investment properties is complex and involves a number of management assumptions and judgements. Due to the high degree of estimation uncertainty involved, we have identified a significant risk in this area.

How we addressed this risk

We addressed this risk by:

- Critically assessing the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
 - Considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
 - Assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;
 - Testing a sample of assets valued during 2023/24, drawing support from our own expert, to source records and challenging key judgements made;
 - Critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2023/24 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers.
-

Audit conclusion

We have not yet completed our work in this area, as we are awaiting responses to some of our queries.

Should any matters arise from the completion procedures, we shall include these in a follow up letter to the Committee.

Significant findings

Other key areas of management judgement/ enhanced risks

Revenue Expenditure Funded by Capital Under Statute (REFCUS)

Description of the management judgement

NELC, as with all English councils, are facing spending pressures in social services. The situation is heightened at NELC because of a recent poor inspection and subsequent intervention into children’s services.

The Council recognises the need to make transformative change in order to address the underlying issues in the service and as a result are considering how and whether to flexibly use capital receipts.

This has led to an enhanced risk to ensure that regulations are followed and REFCUS is accounted for appropriately.

How our audit addressed this area of management judgement

We reviewed the Council’s arrangements to comply with relevant guidance on the use of flexible capital receipts, including governance and reporting.

We also tested expenditure applied under the flexible capital receipts policy to ensure they meet relevant definitions and are recoded accurately.

Audit conclusion

As set out in Section 2, our testing in this area is not yet complete. We shall report any findings in our follow up letter to the Committee.

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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 appropriately tailored to the Council's circumstances.

As set out in Note 1, the Council has a long-standing policy to not accrue for items below £10,000 as, in its view, this would not affect the overall financial position in any one year. As our testing identified some errors in cut-off, we have discussed this policy with officers and, as there was no material effect, suggested the Council review its calculations and considerations for 2024/25.

Significant matters discussed with management

During our audit we discussed the following significant matters with management:

- The Council's financial position, including development of the medium-term financial plan: During the year, we have met with officers to discuss the Council's financial position and budget setting process and pressures to enable us to reflect on the Council's financial resilience and sustainability, and to conclude whether the going concern basis of accounting in the preparation of the financial statements is appropriate.
- Ongoing challenges in Children's services and how the Council is addressing them.
- Updates in relation to local government devolution.

Significant difficulties during the audit

We have had full co-operation from management and no significant difficulties.

Modifications required to our audit report

There are no matters arising from our audit work to date that indicate that audit report needs to be modified.

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 2023/24 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. No such objections have been raised.

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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 the Council's internal controls, we are required to communicate to the Audit and Governance Committee 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 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 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 in 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.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

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.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the 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

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

In our testing of asset disposals, we identified that there were several items disposed of in 2022/23 but not identified until 2023/24.

Potential effects

Risk of material error in the financial statements

Recommendation

The Council needs to improve procedures for the timely identification and recording of asset disposals.

Management response

To follow

Description of deficiency

In our testing of income and expenditure, we identified some items over the Council's own £10,000 de-minimus policy that had been recoded in the incorrect period. These mainly involved items where the services covered more than one financial period.

Potential effects

Risk of recoding income and expenditure in the incorrect financial period.

Recommendation

The Council should reevaluate and update its considerations of de-minimus levels for recording income and expenditure by financial period and remind finance team members of the need to calculate accruals and prepayments where services span more than one financial year.

Management response

To follow

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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 £221k. Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Summary Memorandum. 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)
In our testing of income to ensure the correct cut-off of income, we identified items recorded in 2024/25 that related to 2023/24. This is an extrapolated error.	DR Receivables CR Income		1,744	1,744	
Aggregate effect of unadjusted misstatements (current year)		0	1,744	1,744	0

In addition to the above, through our testing of non-pay expenditure, we identified some items relating to 2022/23 that had been recorded in the 2023/24 financial year. Some of those items were individually below £10,000. This is an extrapolated error, where expenditure for 2023/24 is overstated by £2,435k, however as the amount is not material, whilst the adjustment would be to CR Expenditure to remove from 2023/24, the opposite side of the entry would be to opening balances, so the correction would be to recognise (as it is already) in 2023/24.

Details of adjustment		CIES		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
<i>Prior year misstatements having a continuing effect</i>					
In 2021/22, we reported differences the building cost indices and income data used by the valuation expert leading to an extrapolated error of £1m. Management chose not to adjust on the grounds of materiality. <i>The effect of this diminishing over time as depreciation is applied.</i>	DR Revaluation Reserve CR Property, Plant & Equipment			1,006	1,006
In 2021/22, we reported that the Council had adopted the statutory override in accounting for infrastructure assets and in reviewing its calculations had identified a potential difference of £3m. <i>The effect of this diminishing over time as depreciation is applied.</i>	DR Property, Plant & Equipment CR Capital Adjustment Account			2,886	2,886
Aggregate effect of unadjusted misstatements (prior year)		0	0	3,892	3,892

Summary of misstatements

Unadjusted misstatements

The aggregate effect of items is:

Details of adjustment	CIES		Balance Sheet			
	Income	Expenditure	Assets	Current assets	Liabilities	Unusable reserves
Prior year misstatements having a continuing effect			1,880			1,880
Current year items	1,744			1,744		
Aggregate effect of unadjusted misstatements (prior year and current year)	1,744	0	1,880	1,744	0	1,880

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

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 should be made aware of.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
None identified				
Aggregate effect of adjusted misstatements				

Disclosure misstatements

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

- Narrative update to Note 16 Leases
- Reclassifications within Note 18 Financial Instruments
- Classification adjustment within Note 21 Cash and Cash Equivalents.

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.

The primary output of our work on the Council's 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 in February 2025.

Status of our work

We have substantially completed our work in respect of the Council's arrangements for the year ended 31 March 2024 and at this stage, have one continuing matter to report, which is reflected in the draft audit report at Appendix B.

Value for money arrangements

Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Council’s arrangements and to identify risks that significant weaknesses in arrangements may exist. In our Audit Strategy Memorandum, we identified the following risks of significant weaknesses in arrangements.

Risk of significant weakness in arrangements	Procedures performed and summary of findings
<p>Capital receipts</p> <p>The financial position is linked to the issues in Children’s services, where the Council is seeking to make use of capital receipts to enact the transformation required to improve performance and manage rising costs.</p> <p>Whilst the Council’s intention to use capital receipts to fund transformation is a valid option, the financial position requires oversight through 2024/25. The Council needs to ensure appropriate arrangements are in place to apply and monitor the use of flexible capital receipts in line with relevant guidance and ensure only valid expenditure is funded via this mechanism. Additionally, the Council needs to ensure transformation expenditure translates into realised savings, which ought to be reflected in the regular updates provided to Scrutiny.</p>	<p>Our work has included, but not limited to:</p> <ul style="list-style-type: none"> • Considering whether appropriate arrangements are in place to apply and monitor the use of flexible capital receipts in line with relevant guidance and ensure only valid expenditure is funded via this mechanism. • Drawing from our work on the financial statements to ensure any expenditure is consistent with the guidance • Considering the Council’s arrangements to quantify how transformation expenditure will translate into realised savings, which ought to be reflected in the regular updates provided to Members. • Considering what the effect would have been on the general fund had the expenditure not been capitalised. <p>Our work on testing the underlying expenditure is ongoing, but with no significant issues arising from the work we have performed to date. This item therefore is yet to be fully concluded upon.</p>

Value for money arrangements

Our work to follow-up on previous recommendations

As part of our 2022/23 audit, we identified significant weaknesses in the Council's arrangements. The table below sets out the significant weaknesses identified, our previous recommendations and the work we intend to carry out as part of our 2023/24 audit.

Previously identified significant weakness in arrangements	Relevant reporting criteria	Our 2022/23 recommendations	Procedures for 2023/24
<p>Children's Services</p> <p>Ofsted is the Office for Standards in Education, Children's Services and Skills. It inspects and regulates services that care for children and young people. The Authority's children's services were last inspected in 2017, when it was rated "Good". Ofsted has carried out focused visits in the intervening period with the most recent letter being dated in June 2021, but without changing the overall rating.</p> <p>In October 2021, Ofsted commenced an inspection into children's services, publishing its report on 26 November 2021. The overall effectiveness of children's services has been graded "Inadequate", citing weaknesses in assessment, planning and decision-making.</p> <p>The matters identified by Ofsted are relevant to the financial year ending 31 March 2021 and, in our view, indicate a significant weakness in the Authority's arrangements for Governance (how the body ensures that it makes informed decisions and properly manages its risks) and for Improving Economy, Efficiency and Effectiveness (how the body uses information about its costs and performance to improve the way it manages and delivers its services) reporting</p>	<p>Governance</p> <p>Improving the 3 Es</p>	<p>In order to ensure systems, processes and training are in place to manage the risks relating to the safety and welfare of service users, the Authority must ensure it embeds and sustains the action plans that it has put in place to address the issues identified by Ofsted.</p> <p>In particular, it needs to ensure that robust monitoring and reporting processes are maintained, and that challenge, scrutiny and escalation arrangements drive the required improvements for service users and sustain the progress made to-date in implementing the actions to address the issues raised by Ofsted.</p> <p>Overall, based on the work performed, we believe there is evidence to suggest the Council is making progress in addressing the underlying issues, but still with further work to go to demonstrate the significant weakness has been sufficiently addressed.</p>	<p>As explained more fully in our Auditor's Annual Report, whilst there is evidence of ongoing improvement through reports provided by Ofsted, as at 31 March 2024, the overall rating remained "inadequate".</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
First floor,
Two Chamberlain Square,
Birmingham
B3 3AX

Dear Mark Surrige,

North East Lincolnshire Council- Audit for Year Ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of North East Lincolnshire Council the year ended 31 March 2024 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 2023/24 (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, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am 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 you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Executive Director for Place and Resources / Section 151 Officer, 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 International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at current and/or fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

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).

I confirm I have assessed the impact of any asset ceiling to be calculated on pension scheme assets and ensured, where applicable, that accounting adjustments have been made.

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 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, as amended by the Code Update 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 has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Flexible Use of Capital Receipts

I confirm that the Council has complied with all the requirements of the Directions provided by the Secretary of State under Local Government Act 2003 Sections 16(2)(B) And 20: Treatment Of Costs As Capital Expenditure and the Statutory Guidance on the flexible use of capital receipts (updated August 2022).

Fraud and error

I acknowledge my responsibility as Executive Director for Place and Resources / Section 151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

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 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'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, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council'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 and intangible assets below their carrying value at the balance sheet date. I have carried out an assessment of council buildings for Reinforced Autoclaved Aerated Concrete (RAAC) and confirmed an impairment review is not considered necessary.

Charges on assets

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

Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2023/24 in relation to the Council's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update 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

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note to the financial statements fairly reflects that assessment.

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note to the financial statements fairly reflects that assessment.

Appendix A: Draft management representation letter

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Current banking crisis

I confirm that I have assessed the impact on the Council of the on-going Global Banking challenges, in particular whether there is any impact on the Council's ability to continue as a going concern, and on the post balance sheet events disclosures.

I confirm that our exposure where applicable (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

Going concern

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

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council'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's financial and operating performance over the period covered by the financial statements.

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. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be

considered relevant to your work on value for money arrangements.

Yours faithfully,

Executive Director for Place and Resources / Section 151 Officer

Appendix B: Draft audit report

Independent auditor's report to the members of North East Lincolnshire Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of North East Lincolnshire Council ("the Council") for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Collection Fund and notes to the financial statements, including material accounting policy information. 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2024 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 2023/24.

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 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 Executive Director for Place and Resources' (as the Chief Financial Officer) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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 Executive Director for Place and Resources as the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Executive Director for Place and Resources as the Chief Financial Officer is responsible for the other information. 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.

Appendix B: Draft audit report

Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of the Executive Director for Place and Resources' Responsibilities, the Executive Director for Place and Resources as the Chief Financial 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 2023/24, and for being satisfied that they give a true and fair view. The Executive Director for Place and Resources as the Chief Financial Officer is also responsible for such internal control as the Executive Director for Place and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director for Place and Resources as the Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 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 Executive Director for Place and Resources as the Chief Financial Officer is responsible for assessing each year whether or not it is appropriate for the 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit and Governance Committee, as to whether the Council is in compliance with laws and regulations, and discussing their 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 which were contrary to applicable laws and regulations, including fraud.

We evaluated the Executive Director for Place and Resources as the Chief Financial 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 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 Executive Director for Place and Resources as the Chief Financial 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 statements and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

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 view 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 2024.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weakness in the Council’s arrangements for the year ended 31 March 2024.

In December 2021 we identified a significant weakness in relation to Governance and to Improving Economy, Efficiency and Effectiveness for the 2020/21 year. In our view this significant weakness remains for the year ended 31 March 2024:

Significant weakness in arrangements – issued in a previous year	Recommendation
<p>Children’s Services</p> <p>Ofsted is the Office for Standards in Education, Children’s Services and Skills. It inspects and regulates services that care for children and young people.</p> <p>In October 2021, Ofsted commenced an inspection into children’s services, publishing its report on 26 November 2021. The overall effectiveness of children’s services has been graded “Inadequate”, citing weaknesses in assessment, planning and decision-making. As at 31 March 2024, the Ofsted’s grading of children’s services remains one of “inadequate”.</p>	<p>The Council must ensure it implements, embeds and sustains the action plans that it has put in place to address the issues identified by Ofsted.</p>

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, and to report where we have not been able to satisfy ourselves that it has done so. 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 November 2024.

Appendix B: Draft audit 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.

Use of the audit report

This report is made solely to the members of North East 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 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.

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 issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.

[Signature]

[Name], Key Audit Partner
For and on behalf of Forvis Mazars LLP

[Address]

[Date]

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.

During the audit the following issues arose which could be perceived as a threat to our independence. The table below details these potential threats and the safeguards put in place to mitigate the risk.

Issue	Perceived threats	Safeguards
We were asked by the Council to undertake assurance work on their Teacher's Pensions return	Councils are required to engage a reporting accountant to carry out the agreed upon procedures work. These are assurance related services specifically permitted under the NAO Code of Practice. The fee agreed for this work is £4,500. We therefore don't consider the acceptance of this engagement to pose a threat to our independence.	We have undertaken procedures to consider and fully assess the impact that providing the service may have on our independence and have concluded there are no threats which require safeguards to be implemented.

Appendix D: Other communications

Other communication	Response
<p>Compliance with Laws and Regulations</p>	<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>
<p>External confirmations</p>	<p>We encountered difficulties when obtaining external confirmations. This included us not initially receiving a complete list of counterparties for all loan and investment balances, and not being provided with the correct contact details for some of the counterparties. The list also included counterparties which the Council did not have outstanding balances with at the year-end, and was missing required information such as account numbers for some balances. We were unable to proceed with requesting confirmations via confirmation.com because we did not get responses to our requests for authority from the Council's signatories, as we had been provided with the incorrect email addresses. When manually contacting counterparties there were also instances where the counterparties did not have authority from the Council to disclose, as whilst the Council had sent authority letters, these were not always sent to the correct contact or address.</p>
<p>Related parties</p>	<p>Our testing of related parties identified weaknesses in the process, whereby the Council were not reviewing complete data to identify related party transactions. We have raised an internal control recommendation in this regard.</p> <p>We will obtain written representations from management confirming that:</p> <ol 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.
<p>Going Concern</p>	<p>We have not identified any evidence to cause us to disagree with the Service Director (Finance, Infrastructure and Improvement) that Nottinghamshire County 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

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