

Private & Confidential

Audit Committee Members
North East Lincolnshire Council
Municipal Offices
Town Hall Square
Grimsby
North East Lincolnshire
DN31 1HU

Direct line:

Email: mark.surrIDGE@mazars.co.uk

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Dear Committee Members

Update on conclusion of pending matters – Audit Completion Report

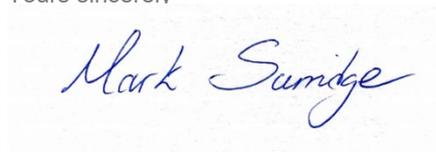
I am writing to communicate the conclusion of those matters marked as outstanding in our Audit Completion Report issued to the committee on the 29th September 2021. The outstanding matters and the conclusions reached are detailed in the table below.

Area outstanding	Conclusion reached
Transaction testing of income, expenditure including related parties, debtors, debt impairment, investment properties and other properties valuations.	<p>All testing completed no matters to report no matters arising except:</p> <ul style="list-style-type: none"> We identified an error of £720k resulting in a misclassification between the revaluation reserve and capital adjustments account which was not corrected by management summarised at Appendix B. A small number of disclosure corrections have been made, including: removing reference to the amount of debt impairment in note 4; correcting the dates of valuation in note 14; and correcting note 31 where the total cost of exit packages was over-stated by £35k.
Pensions: We now have received the assurance letter from the auditors of East Riding Pensions Fund.	<p>We have now completed our work on pensions, and in particular, we have received the assurance letter from the auditor of East Riding Pension Fund.</p> <p>The Pension Fund auditor reported to us that:</p> <ul style="list-style-type: none"> asset values in the draft financial statements with £1.5m higher than the figures submitted to the actuary. an extrapolated understatement of £43.1m was identified in the value of assets of the assets reported in the financial statements of East Riding Pension fund. <p>Given the Council's share of the pension fund assets at the year-end of approximately 9.4% of the scheme investment assets, these differences would amount to £4.2m which is not material to our opinion on the Council's accounts.</p> <p>This is reported as an unadjusted misstatement in Appendix B.</p>
WGA	We are still awaiting the group instructions from the NAO. It is anticipated that this will be received in December.
VFM	We still plan to issue the Annual Audit Report before the 31 December target. In our accounts opinion we also refer to our work on VFM and we are not in a position to finalise our work at this stage.

Area outstanding	Conclusion reached
Post Balance Sheet Events and closure and final review	We continue to work through our quality control procedures and final audit steps, including review for any post balance sheet events and will continue to do so up to the date of signing our auditor's report.

We have identified two control weaknesses which are summarised at Appendix A.

Yours sincerely



Mark Surridge

Director

For and on behalf of Mazars LLP

Appendix A – Recommendation

We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	-
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

Finding – Excessive Number of Privileged Users (Level 2 – Medium)

During IT testing we identified that 42 privileged accounts identified, of which 15 are service accounts. 27 active and normative domain admins are deemed excessive, resulting in a risk of unauthorised access to the network which may compromise data confidentiality and integrity.

Potential effects

Unauthorised access to the network may compromise data confidentiality and integrity.

Recommendation

In order to limit unauthorised access risk we recommend performing a review of the database access to ensure all access rights can be accounted/justified and are required.

Business users should not be provided with database administration tasks; however, if due to special requirements their access is needed, we recommend ensuring database activity logs are enabled and the administrators' activity is closely monitored.

Management Comments

Agreed and implemented

A review has taken place to reduce the number of accounts to:

- 19 Domain Administrator Accounts (8 Service Accounts and 11 Domain Admin Accounts). These 19 domain administrator accounts do not provide access to the applications contained with the report.
- The 8 Service Accounts are restricted via passwords contained in a restricted vault, so access is limited and audited.
- Two of the domain administrator service accounts will be removed from the 19 domain accounts in the coming months as we refresh our technology platforms.

Finding – Fully Depreciated Assets (Level 3 low)

Within the asset register for vehicles, plant and equipment we noted that the Council has over a 100 fully depreciated assets with a gross value in excess of £10m. This has no impact the in-year depreciation or net book value however it may indicate that asset lives need to be reassessed or there a number of obsolete or disposed assets on the register.

Potential effects

The asset register may hold out of date information.

Recommendation

The Council reviews fully depreciated assets to ensure they exist, are still operational and asset lives are appropriate

Management Comments

Agreed

Appendix B – Unadjusted misstatements

		Balance Sheet	
		Dr (£'000)	Cr (£'000)
1	Note 25 Reserves		
	Dr Revaluation Reserve	720	-
	Cr Capital Adjustment Account	-	720
<p>This is a technical error with no impact on the financial position of the Council of the new valuation of assets. Downward revaluation adjustments also involving re-classification of the asset from buildings to land and buildings resulting in an erroneous increase in revaluation reserve for the land element and a contra increase in the buildings charged to CIES (Comprehensive Income and Expenditure Statement) and credited to the capital adjustment account. The charge to the CIES should have been reduced by the change in land valuation resulting in an over-statement of revaluation reserve and an under-statement in the capital adjustment account.</p>			
2	Dr Unusable Reserves	4,200	-
	Dr Long Term liability Pensions - note 39	-	4,200
<p>The Pension Fund auditor reported to us that the asset values in the pension fund accounts were under-stated by £43.1m. Given the Council's share of the PF assets at the year end of 9.4% of the scheme investment the net liability of £238.0m disclosed in the Council's accounts are over-stated by £4.2m which is not material to our opinion.</p>			