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30 January 2024

Dear Audit and Governance Committee Members

**Conclusion of pending matters – Audit Completion Report 2021/22 for Boston Borough Council**

As required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit Completion Report 2021/22 dated 7 March 2023.

The outstanding matters and the conclusions reached are detailed below:

Audit area	Status	Description of outstanding matters
New payroll system	Complete	<p>We have received the residual audit evidence and our work is complete.</p> <p>There are no matters to report in this area.</p>
Consolidation of PSPS Ltd.	Complete	<p>We have received the residual audit evidence and our work is complete.</p> <p>As a result we identified that the Council has incorrectly treated its consolidation of its share in PSPS Ltd. as a joint operation, by consolidating its share of income, expenditure, assets and liabilities.</p> <p>However, this arrangement no longer meets the definition of a joint operation and so consolidation as an associate, with the requirement to produce separate group accounts, was required to demonstrate greater transparency over the nature of the arrangement and financial implications of control.</p> <p>Consequently, we identified further material misstatements to:</p> <ul style="list-style-type: none"> <li>• the Council's single entity financial statements; and</li> <li>• the Council's Group accounts, following their receipt.</li> </ul> <p>We set out the impact of this error, which management have adjusted, in Appendix 1.</p>

Audit area	Status	Description of outstanding matters
Going concern	Complete	<p>We have received managements formal assessment as to why it believes the accounts should be prepared on a going concern basis and our work is complete.</p> <p>There are no matters to report in this area.</p>
Audit quality control and completion procedures	Complete	<p>We have undertaken the outstanding procedures and received the residual audit documentation required and our work is complete.</p> <p>As a result we identified the following issues:</p> <ul style="list-style-type: none"> <li>• requirement for the Council to obtain a further revised IAS19 report in support of its pension disclosures following the update of pension assumptions by the actuary as part of the Lincolnshire scheme's triennial revaluation exercise; and</li> <li>• adjustments required to the carrying value of trade debtors and creditors within the Council's financial instrument disclosures.</li> </ul> <p>We set out the impact of these errors, which management have adjusted, in Appendices 1 and 2.</p> <p>Additionally we report, in Appendix 3, an amendment to an uncorrected misstatement previously reported in our Audit Completion Report 2021/22 dated 7 March 2023.</p>
Whole of Government Accounts (WGA)	Incomplete	<p>Whilst the National Audit Office has now issued instructions for the 2021/22 Whole of Government Accounts process, they are yet to communicate the arrangements for the sample of authorities where they require additional audit procedures to be carried out. The Audit Certificate will be issued, and the audit formally closed, when NAO has confirmed their requirements and any further requested work has been completed.</p>

If you wish to discuss these or any other points, then please do not hesitate to contact me.

Yours sincerely



**Mark Surridge**  
Director

For and on behalf of Mazars LLP

## Appendix 1 – Summary of Adjusted Misstatements

We set out below the additional three adjusted misstatements arising following the completion of those matters that were marked as outstanding within the Audit completion report dated 7 March 2023. All have been processed by management.

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1				
Dr: CIES – General fund assets (Gross expenditure)	2			
Dr: CIES – Economic growth (Gross expenditure)	1			
Dr: CIES – Governance (Gross expenditure)	2			
Dr: CIES – Wellbeing & community leadership (Gross expenditure)	8			
Dr: CIES – Leisure & culture (Gross expenditure)	6			
Dr: CIES – Corporate (Gross expenditure)	5			
Dr: CIES – Neighbourhoods (Gross expenditure)	13			
Dr: CIES – Planning & strategic infrastructure (Gross expenditure)	4			
Dr: CIES – Regulatory (Gross expenditure)	6			
Dr: CIES – BTAC (Gross expenditure)	1			
Dr: CIES – Financing and investment income and expenditure (Gross expenditure)	20			
Cr: CIES – Financing and investment income and expenditure (Gross income)		(8)		
Cr: MiRS – Adjustments between accounting basis and funding basis under regulation (General fund)		(60)		
Cr: BS – Other long term liabilities				(386)
Dr: BS – Unusable reserves			386	

Revised IAS19 valuation following identified changes in actuarial assumptions as part of the wider fund triennial revaluation exercise.

This error also has consequential implications for Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Cash Flow Statement, Note 6/6A in respect of the Expenditure and Funding Analysis, Note 7 in respect of the Expenditure and Income Analysed by Nature, Note 8 in respect of Adjustments Between the Accounting Basis and Funding Basis, Note 11 in respect of Financing and Investment Income and Expenditure, Note 24 in respect of Unusable Reserves and Note 36 in respect of Defined Benefit Pension Schemes.

2	Cr: CIES – Finance (Gross expenditure)		(90)	
	Cr: CIES – Wellbeing and community leadership (Gross expenditure)		(33)	
	Cr: CIES – Corporate (Gross expenditure)		(53)	
	Cr: CIES – Finance (Gross income)		(418)	
	Cr: CIES – Financing and investment income and expenditure (Gross expenditure)		(296)	
	Dr: CIES – Financing and investment income and expenditure (Gross income)	208		
	Dr: MiRS – Adjustments between accounting basis and funding basis under regulation (General fund)	682		
	Cr: BS – Property, plant and equipment			(1)
	Cr: BS – Intangible assets			(153)
	Cr: BS – Short-term debtors			(63)
	Cr: BS – Cash and cash equivalents			(486)
	Dr: BS – Short-term creditors		194	
	Dr: BS – Other long term liabilities		2,999	
	Dr: BS – Usable reserves		352	
	Cr: BS – Unusable reserves			(2,842)

Incorrect consolidation of PSPS Ltd. as a joint operation.

This error also has consequential implications for the majority of the other statements and notes within the financial statements, including the need for additional group accounts to be produced.

3	Dr: Group CIES - Other comprehensive income and expenditure - Share of other comprehensive income and expenditure of associate	680		
	Dr: Group CIES – Group (Surplus)/Deficit on provision of services – Tax expense of associates	4		
	Cr: Group CIES - Group (Surplus)/Deficit on provision of services - Share of the (surplus)/deficit on provision of services by associates		(684)	
	Dr: Group MiRS - Authority's share of reserves of associates - Adjustments to opening balances	2,788		
	Cr: Group MiRS - Authority's share of reserves of associates - Total comprehensive income and expenditure		(2,788)	
	Dr: Group BS – Liabilities in associates		2,108	
	Cr: Group BS – Investment in associates			(2,108)
	Dr: Group BS – Unusable reserves		350	
	Dr: Group BS – Usable reserves			(350)

Incorrect calculation and presentation of group accounts figures.

<b>Total adjusted misstatements</b>	<b>3,750</b>	<b>(3,750)</b>	<b>6,039</b>	<b>(6,039)</b>
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## Appendix 2 – Summary of Disclosure Amendments

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We set out below the additional disclosure issues following the completion of those matters that were marked as outstanding within the Audit completion report dated 7 March 2023.

### Disclosure amendments 2021/22

In addition to the above numerical errors that relate directly to the primary statements or their related notes, our audit also identified a further error/adjustment in relation to other disclosures which management has adjusted:

- Note 17 Financial instruments : Incorrect disclosure of the carrying values of trade debtors and trade creditors.

### Appendix 3 – Corrections to Previously Reported Unadjusted Misstatements

We set out below revisions to those items that were previously included in the Audit Completion Report issued in March 2023.

In this respect a single correction to an item that was reported as unadjusted is noted below.

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: CIES – Expenditure (Finance)	37		
	Dr: BS – Net pension liability		387	
	Cr: BS – Unusable reserves			(424)

Revision to IAS 19 liability following receipt of updated pension fund asset valuation information. This error also has consequential implications for the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, Note 24 in respect of Unusable Reserves and Note 36 in respect of Defined Benefit Pension Schemes.

UPDATED POSITION:

This uncorrected misstatement has now been superseded as management have subsequently received and actioned a revised IAS19 report incorporating the above issue, as reported at item 1 in Appendix 1.