

NORTH LINCOLNSHIRE COUNCIL

AUDIT SUB-COMMITTEE

**AUDIT OF ACCOUNTS 2010/11
MATTERS ARISING FROM THE AUDIT**

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The council's unaudited accounts were approved by the Director of Finance on 30 June 2011. This met the statutory requirement that they be approved by 30 June 2011.
- 1.2 The Accounts are the first produced by the council under International Financial Reporting Standards.
- 1.3 The accounts have since been audited and the external auditors have set out their findings in a report. This committee now needs to consider the proposed amendments and approve the changes to the accounts that result from it. It is a requirement that this process concludes by 30 September 2011.
- 1.4 Some amendments are required to the accounts. However they do not change the position previously reported in terms of the General Fund or balances available.
- 1.5 The council's external auditors expect to issue an unqualified opinion on the accounts shortly.

2. BACKGROUND INFORMATION

- 2.1 The Accounts and Audit Regulations require the Council to publish a statement of accounts each financial year. These accounts are the formal statement of the Council's financial performance for the year and its financial position at the end of that period. A financial year runs from April to March.
- 2.2 These accounts have to be considered and approved by the Council's Chief Financial Officer by 30 June. They must then be audited and published within six months of the financial year-end or 30 September. These deadlines are government requirements.
- 2.3 Including for this year and in any future years where major accounting policy changes take place, restated balance sheet for previous 2 years to assist comparability & consistency.

- 2.4 The International Standard on Auditing 260 – ‘The Auditor's Communication with Those Charged with Governance (ISA 260)’ requires auditors to report certain matters arising from the audit of the council's financial statements before giving an opinion on them.
- 2.5 The report from the Audit Commission is attached. It sets out the matters arising from the audit of the council's 2010/11 accounts. I am in agreement with its findings. Staff from the Audit Commission will present the report to Sub-Committee. A copy of the restated accounts is included with this report.
- 2.6 The main findings of the report are:
- that an unqualified opinion on the council's accounts is expected.
 - that the closedown process has met the necessary statutory deadlines.
 - a number of adjustments are recommended to the accounts, of which the majority are minor.
- 2.7 The main issues resulting from the audit are as follows:-
- A number of issues were found with Property, Plant and Equipment balances. Whilst they only change the balance sheet figures for the 2008/09 (and not 2009/10 or 2010/11) a number of problems were found in the underlying note. These include:-
 - i. Classification of spend on Melior College as operational rather than as an asset under construction.
 - ii. Whilst Net Book Value was correct, Gross Book Value and Accumulated Depreciation were overstated.
 - Following clarification of accounting requirements the gain on Pensions is now treated as negative expenditure rather than income.
 - Icelandic investments were transferred from cash equivalents to short term investments to reflect the fact they were not as readily converted to cash.
 - £2.7m of property costs which had not been fully recharged to services were reapportioned.
 - A number of minor disclosure note changes were identified and corrected.
 - In addition the Auditors have suggested that we review our policy on the treatment of incidental costs of sale of assets as a prepayment.
- 2.8 International Standard on Auditing 580 ‘Management Representations’ requires auditors to obtain written confirmations of appropriate representations from management before the audit report is issued. Additionally IAS 570 requires a specific statement on the applicability of the ‘Going Concern’ concept to the council. The accounts have been prepared on a going concern basis. The Audit Sub-Committee are asked to confirm their agreement with this view.
- 2.9 A proposed letter of representation is attached, which the Sub-Committee is asked to approve and authorise the Chairman of the Audit Sub-Committee and the Director of Finance to sign.

2.10 The Audit Commission have also included one recommendation and an accompanying action plan which also requires approval.

3. OPTIONS FOR CONSIDERATION

3.1 The Audit Sub-Committee are invited to approve the amended accounts as attached.

3.2 The Audit Sub-Committee are also invited to approve the action plan contained in the Annual Governance Report and endorse the signing of the Letter of Representation.

4. ANALYSIS OF OPTIONS

4.1 Statutorily the accounts must be approved by the 30th September. The Sub-Committee should ask sufficient questions to gain assurance that the accounts present fairly the financial position of the council.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 The accounts present the council's financial position as at 31 March 2011. There are no other resource implications.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

6.1 The Accounts and Audit Regulations 2003 (England) require that each authority prepare and approve its accounts by 30 June and publish them by 30 September. The format and content of the accounts is also governed by the Statement of Recommended Practice issued by CIPFA.

7. OUTCOMES OF CONSULTATION

7.1 None

8. RECOMMENDATIONS

8.1 That the Statement of Accounts for 2010/11 prepared on a going-concern basis and as amended in line with the Auditor's recommendation be received and approved.

8.2 That the action plan contained in the Annual Governance Report be approved.

8.3 The Audit Sub-Committee endorse the signing of the Letter of Representation by the Chairman of the Audit Sub-Committee and the Director of Finance.

DIRECTOR OF FINANCE

Pittwood House
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB
Author: Mark Kitching
Date: 14/09/11

**Background Papers used in the preparation of this report – Statement of
Accounts 2010/11**