

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**AUDIT OF ACCOUNTS 2018/2019  
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 Governance and Partnerships on 31 May 2019. This met the statutory requirement that they be approved by 31 May 2019.
- 1.2 The Accounts have been produced in accordance with International Financial Reporting Standards (IFRS).
- 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 statutory requirement that this process concludes by 31 July 2019.
- 1.4 Some amendments are required to the accounts. However they do not change the position previously reported to Cabinet, in terms of the General Fund or balances available. There is therefore no impact on the Medium Term Financial Plan.
- 1.5 It is expected that the council's external auditors will issue an unqualified opinion on the accounts and the arrangements to secure Value for Money.

**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 31 May. They must then be audited and published by 31 July. These deadlines are statutory requirements. The accounts were approved on the 31 May, the statutory deadline.

- 2.3. 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.
- 2.4. The report from the council’s Auditors (Mazars) is attached. It sets out the matters arising from the audit of the council’s 2018/2019 accounts. Staff from Mazars will present the report to Committee. A copy of the amended accounts is included with this report.
- 2.5. The main findings of the report are:
- It is expected that an unqualified opinion on the council’s accounts and arrangements for achieving Value for Money will be issued (subject to the completion of their outstanding work).
  - That the closedown process has met the necessary statutory deadlines.
  - An error was identified on the recording of two payments within the ledger at the year end. The balance sheet entries for these two payments were recorded as liabilities rather than cash. There was no impact on the general fund balance, however a number of notes were affected.
  - During the audit process it was confirmed that the Government wouldn’t be granted leave to appeal against a court decision which affected the benefits of some members of the Local Government Pension Scheme. Changes were therefore made through the accounts to reflect the additional pension liability.
  - Some other minor adjustments to disclosure notes within the accounts were required.
- 2.6. International Standard on Auditing 580 ‘Management Representations’ requires auditors to obtain written confirmations of appropriate representations from management before the audit report is issued. A proposed letter of representation is attached, which the Committee is asked to approve and authorise the Chair of the Audit Committee and the Director Governance and Partnerships to sign.
- 2.7. 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. A review of the applicability of the concept to the council can be seen at Appendix 1. The Audit Committee are asked to confirm their agreement with this view.

### **3. OPTIONS FOR CONSIDERATION**

- 3.1. The Audit Committee are invited to approve the amended accounts as attached.
- 3.2. That the Committee considers the Auditor’s Audit Completion Report (ISA 260) report and note its findings.
- 3.3. The Audit Committee are also invited to endorse the signing of the Letter of Representation.

- 3.4. Delegate approval to the Chairman and the Director: Governance and Partnerships to approve on behalf of the Audit Committee following the completion of all audit work.

#### **4. ANALYSIS OF OPTIONS**

- 4.1. Statutorily the accounts must be approved by the 31 July. The 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 2018. 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 2015 (England) require that each authority prepare and approve its accounts by 31 May and publish them by 31 July. The format and content of the accounts is also governed by the IFRS Code of Practice issued by CIPFA.

#### **7. OUTCOMES OF CONSULTATION**

- 7.1 None

#### **8. RECOMMENDATIONS**

- 8.1 That the Statement of Accounts for 2018/2019, prepared on a going concern basis and as amended in line with the Auditor's findings, be received and approved.
- 8.2 The Audit Committee notes the contents of the Audit Completion Report (ISA260).
- 8.3 The Audit Committee endorse the signing of the Letter of Representation by the Chairman of the Audit Committee and the Director: Governance and Partnerships.

#### **DIRECTOR: GOVERNANCE AND PARTNERSHIPS**

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#### **Background Papers used in the preparation of this report**

Statement of Accounts 2018/2019  
Audit Completion Report (ISA260)

**GOING CONCERN REVIEW**

**1. INTRODUCTION**

The Code of Practice on Local Authority Accounting 2018/2019 (The Code) states that “an authority’s financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern”.

**2. GOING CONCERN ASSESSMENT**

Local authorities are only created or discontinued by a statutory prescription and therefore the Code stipulates that the financial statements are prepared on a going concern basis.

Local authorities have to adhere to a balanced budget requirement as prescribed by the Local Government Act 1992 (as amended).

Section 28 of the Local Government Act 2003 requires local authorities take action for the deterioration of the financial position of the authority. It is therefore unlawful for an authority not to budget for a positive general fund balance

The council has a strategic plan that outlines the council’s priorities and plans and that is aligned with its Medium Term Financial Plan (MTFP). The council has approved a balanced MTFP.

An assessment of the council’s in-year performance and a review of the council’s financial position is included within the Narrative Statement of the statement of accounts.

**3. CONCLUSION**

The council is not aware of any material uncertainty, related to events, or issues, which would cast significant doubt upon the ability to continue as a going concern.