

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**AUDIT OF ACCOUNTS 2009/10  
MATTERS ARISING FROM THE AUDIT**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 The council's unaudited accounts were approved by the Audit Committee on 30 June 2010. This met the statutory requirement that they be approved by 30 June 2010.
- 1.2 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 2010.
- 1.3 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.
- 1.4 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 council or a committee 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 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 Audit Commission is attached. It sets out the matters arising from the audit of the council's 2009/10 accounts. I am in agreement with its findings. Staff from the Audit Commission will present the report to cabinet. A copy of the restated accounts has also been circulated with this report

2.5 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.

2.6 The main changes resulting from the audit are as follows:-

- Two assets, St. Lawrence Academy and Minster Court had been transferred to Investment properties and revalued to zero. The treatment of Minster Court was an error. For St. Lawrence this is because the creation of the Academy takes the asset out of council control. It has been agreed to reverse the treatment and transferred the asset back to Operational Assets and increase its value to its previous level as at present the lease to St. Lawrence is only short term. This has resulted in an increase in Fixed Asset values of £9.8m and a reduction in impairment charges of £6.7m. This decrease in impairment has caused changes to the Income and Expenditure Account reducing the net expenditure on Education and Childrens Services of £5.4m and reduced the deficit on Trading Undertakings by £1.3m. These changes are then reversed out in the Statement of Movement on the General Fund Balance and do not result in a change in usable reserves.
- Accounting practice in respect of Housing benefit payments has for some time not been in strict compliance with the accruals policy. The policy as approved by this committee has been modified by the following addition:

“Exceptions to this policy are:-

- Housing Benefit payments
- Social Services income for home care
- Property Trading Account income for commercial properties

These exceptions still mean that a full twelve months of income and expenditure are accounted for in a financial year.”

- Whilst the accounting changes relating to the collection fund were applied correctly, the balances for the major preceptors and the National Non Domestic Pool should have been consolidated into a single balance. This has resulted in debtors and creditors being reduced by £1.05m.
- Some balances held on the revaluation reserve related to assets which had been sold. These balances should have been written off to the Capital Adjustment Account. The value of this transfer was £1.99m.

- A Government Grant Deferred (GGD) balance of £466k should have been amortised. This has resulted in a decrease in the GGD balance and an increase in the capital adjustments account.
- A number of minor amendments to statements and notes have been made.

2.7 International Standard on Auditing 580 'Management Representations' requires auditors to obtain written confirmations of appropriate representations from management before the audit report is issued.

The Annual Governance report includes a proposed letter of representation which the Committee is asked to approve and authorise the Chair of the Audit Committee and the Service Director Finance to sign.

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

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

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

4.1 Statutorily the accounts must be approved by the 30th September. 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 2010. 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 amendment to the Accruals accounting policy be approved.

8.2 That the Statement of Accounts for 2009/10 as amended in line with the Auditor's recommendation be received and considered for approval.

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

8.4 The Audit Committee endorse the signing of the Letter of Representation by the Chair of the Audit Committee and the Service Director Finance.

#### SERVICE DIRECTOR FINANCE

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