

PRESENT: COUNCILLOR B YOUNG (CHAIRMAN)

Councillors W J Aron, Mrs C M H Farquharson, C Farrar, N I Jackson and Mrs P A Mathers..

Officers in attendance: Tony Crawley (Audit Commission - District Auditor), David Forbes (Assistant Director – Finance and Asset Management), Claire Pemberton (Assistant Head of Finance (Corporate)), Dave Simpson (Head of Finance – Strategic & Communities), Louise Stables (Audit Commission), Rachel Wilson (Democratic Services Officer) and Mike Wood – Audit Commission (Audit Manager).

40. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mrs S Rawlins and Mr D Finch.

41. DECLARATIONS OF MEMBERS' INTERESTS

Councillor Mrs C M H Farquharson declared a personal interest in minute number 43, as a Governor of Bourne Robert Manning School.

42. EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT ON LINCOLNSHIRE COUNTY COUNCIL'S STATEMENT OF ACCOUNTS FOR 2010-11

The Committee was advised that the external auditors, The Audit Commission, had completed their work on the draft Statements. A verbal update was received from the District Auditor with regard to the Council's Statement of Accounts.

The Committee was informed that that audit and accounting framework had strengthened, and the District Auditor was able to give an unqualified audit opinion. It was reported that it had been a challenging year for the finance team due to the implementation of the International Financial Reporting Standards (IFRS). Although the deadline in terms of the pre-audit was met, the audit was not able to be completed in line with the planned timetable because of delays in the production of working papers. As a result, the audited statements were not approved by the Audit Committee and published by the statutory deadline of 30 September 2011. A revised timetable for the delivery of amended accounts was agreed, and the audit re-started on 19 September 2011.

Significant errors were identified in relation to in year asset revaluations; treatment of 2009/10 grant income – however, further information on this had been received and was now resolved; year-end expenditure charged to the wrong financial year.

The District Auditor was able to conclude that the Council had put in place satisfactory arrangements for securing economy, efficiency and effectiveness in its use of resources under the revised framework.

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The Committee was informed that no material errors in the financial statements were identified. In relation to in year asset revaluation errors which were found, management agreed to amend the accounts in relation to the largest errors. The remaining residual uncorrected errors on revaluations would be corrected by officers in 2011/12. The Audit Manager (Audit Commission) clarified that where assets had been revalued downwards, that the downward revaluation had been treated incorrectly within the asset register. Depreciation had been incorrectly credited to the asset instead of debited. This error solely impacted on Note 14 to the accounts and the split between GBV and accumulated depreciation, and resulted in a £1,057k overstatement of the GBV and a £1,057k overstatement of accumulated depreciation. However, these errors cancelled each other out leaving the correct net book value.

It was reported that no important weaknesses in internal control were identified, but the Council had included in the Annual Governance Statement, within the Financial Statements, a list of areas where further work was required to improve systems or monitor how key risks were being managed. In relation to the failure to meet that statutory audit deadline of 30 September, it was noted that the Council intended to carry out a full review in the autumn, with the service provider (Mouchel) to understand the underlying issues behind the delays and to develop an action plan for the future. The Audit Manager believed that this was an entirely appropriate course of action to take.

Members were provided with the opportunity to ask questions, and some of the points raised included the following:

- An additional audit fee would be charged to cover the cost of the extra work which arose from the delays and revisions to the accounts, however, this would be less than £10,000;
- Uncorrected errors would be carried forward and corrected in the next year's accounts;
- The Chairman paid tribute to the District Auditor and his team for all the work they had done.

RESOLVED

1. That the External Auditors Annual Governance Report (AGR) be noted
2. That the Letter of Representation be approved on behalf of the Council to enable the Audit Opinion to be issued

43. STATEMENT OF ACCOUNTS FOR LINCOLNSHIRE COUNTY COUNCIL FOR THE YEAR ENDED 31 MARCH 2011

Consideration was given to a report introduced by the Assistant Director – Finance and Resources which presented the Statement of Accounts for Lincolnshire County Council for the financial year 2010-11 for approval.

It was reported that the accounts had been prepared under the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11, based on International Financial Reporting Standards. This was the first year that the accounts had been prepared in this way, and as previously reported, these changes had caused difficulties in the preparation of the accounts and the supporting working papers. The

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Committee was advised that these problems had now been fully resolved and the external auditor had been able to undertake the audit work required to give an opinion on the accounts.

The Committee was advised that the accounts presented were an updated set of the accounts which were presented at the meeting of the Audit Committee held on 14 July 2011. This set of accounts took on board improvements which had been previously discussed, and any unadjusted errors would be picked up in the next years' accounts.

There had been lessons learned and it was suggested that a report and relevant officers come back to the December meeting to discuss how this situation could be avoided in the future.

RESOLVED

That the Statement of Accounts for 2010 -11be approved.

The meeting closed at 2.30pm