

Annual governance report

Lincolnshire County Council

Audit 2011/12



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Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

I am pleased to report that the action plan agreed with the service provider was implemented successfully. Whilst there are still some opportunities for further improvements set out in this report, the audit has gone well this year. As at 24 September 2012, I expect to issue an unqualified audit opinion. The key messages are;

- The draft accounts were produced by the 30 June 2012 deadline;
- A revision was made to these accounts in mid July to reflect the completion and quality checking of a number of capital accounting adjustments arising from the previous year;
- The overall quality of the working papers and the closedown process was good; and
- There is only one uncorrected error in the financial statements.

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Certificate

I expect to issue my audit certificate by the end of September.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I am aware of the following relationship that might constitute a threat to independence and that I am required to report to you. I have therefore put in place the following safeguard to reduce the threat.

Table 1: **Threats and safeguards**

Threat	Safeguard
Niall Davidson Petch (CIPFA trainee) has disclosed a potential conflict as his wife is employed as deputy head teacher at St Peter at Gowts Primary School.	We agreed that Niall will not undertake any work that may involve the school, directly or indirectly (i.e. LEA based work or a review of school IA files etc). Niall also undertook to inform his line manager if at any point he believed a conflict of interest could arise during any of his work. This safeguard was approved by the previous Regional Head of Audit (Central Region), Delyth Morris, and remains valid. In the event Niall did not undertake any work on any aspect of the County Council audit in 2011/12.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2011/12.

I ask the Audit Committee to:

- take note of the uncorrected errors in the financial statements included in this report (appendix 2); and
- approve the letter of representation (appendix 3), on behalf of the Authority before I issue my opinion and conclusion.

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Uncorrected errors

A revised set of draft accounts was produced on 17 July 2012 which reflected the completion of a number of capital accounting adjustments arising from the previous year. Our audit identified a number of discrepancies between the figures disclosed in the Property, Plant and Equipment (PPE) note (Note 14) and the asset register. All of these variances related to the reversal of manual journals processed in 2010 and the processing of the transactions through the asset register in 2011/12. The net impact of the variances is only £414k. More information is provided in Appendix 2. Officers have agreed that the asset register should be fully reconciled to the disclosure note in the accounts as a standard element of preparing the accounts.

Corrected errors

We identified some errors and inconsistencies between the prime statements and the supporting notes in the draft accounts. There have been no changes to the prime statements and the notes have all been amended to ensure consistency and compliance with the Code. The most significant issues are included below under Other Matters.

Significant risks and my findings

I reported to you in my 13 January 2012 Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In Table 2 I report to you my findings against each of these risks.

Table 2: Risks and findings

Risk	Finding
<p>Closedown problems</p> <p>Last year this included delays in producing some working papers relating to capital accounting and IFRS changes. This led to a late audit opinion. The audit of the Whole of Government Accounts (WGA) return was also delayed and protracted.</p> <p>Although the IFRS changes are not an issue in 2011/12, the service provider (Mouchel) acknowledged the need to avoid a repeat of the problems in 2010/11. An action plan was prepared aimed at addressing the staffing and technical issues which arose.</p>	<p>My team reviewed the closedown arrangements, and liaised with the Finance team over progress and monitoring of the action plan agreed with the service provider, which was implemented successfully. Staff from the Authority and the service provider attended the final accounts workshops held by the Audit Commission in early spring 2012, and we also provided input on closedown issues to a local continuing professional development update held around the same time.</p> <p>The timing of the final accounts visit was delayed slightly to ensure there was sufficient time for quality assurance, and to minimise the impact on the service provider. The pre-audit accounts were produced by the deadline of 30 June, but a revision was made to them in mid July, to reflect the completion and quality checking of a number of capital accounting adjustments arising from the previous year.</p> <p>The overall quality of the working papers, including providing prime documentation, was good. The closedown process went well and there was no repeat of the failures in communication and the number of basic errors which we found last year.</p> <p>At the time of writing our WGA audit is still in progress.</p>
<p>Valuation of property, plant and equipment (PPE)</p> <p>The Authority is required to value PPE at fair value (with some exceptions). Last year we identified significant errors relating to in year asset revaluations of schools. These were basic errors linked to staffing and technical issues referred to above. The risk remained that valuations reported in the financial statements may be materially misstated.</p> <p>Additional risks arose from the creation of many more</p>	<p>We have reviewed accounting estimates, including the arrangements for instructing the valuer, and carried out procedures to determine and test the reliance we can place on that work.</p> <p>The results of our testing of asset valuations and the associated depreciation calculations, including the accounting treatment and disclosures relating to academy schools were generally satisfactory.</p> <p>Whilst improvement opportunities still exist and are referred to under 'Other Matters' in this report, satisfactory progress has been made.</p>

Risk

academy schools in 2011/12 which impacted on asset valuations and revenue transactions in the Comprehensive Income and Expenditure Statement (CIES).

Finding

Heritage Assets

The CIPFA Code for 2011/12 set new requirements for how councils should account for heritage assets. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. For Lincolnshire County Council this includes some buildings and a range of archives and collections with a total value of over £35m.

We have evaluated the management controls in place to recognise and value heritage assets and undertaken testing to check that the Authority has accounted for heritage assets in accordance with FRS 30 and the Code. Our testing has not identified any significant issues to bring to your attention.

Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- It is consistent with other information that I am aware of from my audit of the financial statements.

There were no significant weaknesses in internal control that I need to draw to your attention.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following;

- Qualitative aspects of your accounting practices;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions; and
- Other audit matters of governance interest.

Table 3: **Other matters**

Issue	Finding
Capital Accounting	<p>I have referred above to the uncorrected discrepancies (£414K net) between the figures disclosed in the Property, Plant and Equipment (PPE) note and the asset register. The asset register should be fully reconciled to the disclosure note in the accounts.</p> <p>Other issues that arose from our work on PPE and related notes are summarised below:</p> <ul style="list-style-type: none"> ■ We identified assets valued at £5.5m which did not appear to have been valued within the last five years. An exercise established that in most cases the error was a result of the valuation dates not being updated in SAP or failure to clear out some nominal entries; ■ Seven freehold properties had been wrongly classified as leased assets. The total value was £4.7m, including Lincoln Central Library valued at £4.2m. The opening balance on the leased assets note (Note 49) also differed from the closing balance last year by £2.5m. These have all been corrected; and ■ Capital salaries of £367K have been treated incorrectly in PPE additions. Instead of been settled against the relevant assets they have instead been allocated (in the wrong amount) to a single new asset.
Comprehensive Income and Expenditure Statement (CIES)	<ul style="list-style-type: none"> ■ Last year we identified problems with year-end expenditure charged to the wrong financial year (cut off). Additional training and checking this year has significantly

Issue

Finding

improved this aspect of the closedown process. Our testing this year identified just one cut off error. This did not cause an error in the 2011/12 accounts and because of the other checks in place this year we are satisfied that there is no material impact on the CIES. Nevertheless it is important that the training and closedown process in the future continues to focus on minimising the risk in this area.

- Mapping of transactions from SAP into the CIES by type of transactions provides us with additional assurance over the completeness and classification of income and expenditure. Previous discussions with officers resulted in improvements in the quality of evidence provided for audit. We have suggested that further improvement can be achieved if SAP can map the transactions in the net cost of services section of the CIES to their source system e.g. creditors, debtors, payroll etc.

Whole of Government Accounts

Alongside my work on the financial statements, I am reviewing and will report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the NAO, and the deadline is 5 October. As I have previously mentioned to the Audit Committee, I cannot give the audit certificate until I have completed my WGA report, and so I have agreed with officers that my aim is to do so by 28 September.

Value for money

I am required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my 13 January 2012 Audit Plan I reported to you the significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 4: **Value for money conclusion criteria and my findings**

Criteria	Risk	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The impact of the Comprehensive Spending Review (CSR) on your financial resilience is a key risk.</p> <p>Specific risks around the development of community budgets and the ‘Whole Place’ pilot will also need to be managed within the constraints of the CSR, as will the impact of the increasing number of academy schools which threatens the viability of support services currently provided to schools.</p>	<p>Your updated financial plan and strategy reflect improvements in efficiency and effectiveness and your savings plan continues to remain on track.</p> <p>All the Authority’s priority activities are being actively monitored through the scrutiny process, including a range of community and schools programmes which are designed to address the risks identified.</p>
<p>2. Securing economy efficiency and effectiveness</p>	<p>Continuing overspending on Adult Social Care (ASC) and related problems with the</p>	<p>The targeted savings for the current year are unlikely to be achieved and an overspend is again</p>

Criteria	Risk	Findings
<p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>commissioning of these services was reported in our 2010/11 annual audit letter. These issues remain a potential risk to the achievement of economy, efficiency and effectiveness but are the subject of management action.</p>	<p>anticipated in 2012/13. Work stream leads are all in place and progress continues to be monitored at senior management and member level. ASC performance and improvement remains the most significant issue faced by the Authority. I am satisfied that the management arrangements in place are appropriate to enable the Authority to cope with the overspend, and should prove to be effective over the medium and longer term.</p>

Fees

I reported my planned audit fee in the January Audit Plan.

I will complete the audit within the planned fee.

Table 5: Fees

	Original scale fee 2011/12 (£)	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	238,500	238,500	238,500
Claims and returns	5,000	5,000	5,000
Non-audit work	0	0	0
Total	243,500	243,500	243,500

The Audit Commission has paid a rebate of £19,080 to reflect attaining internal efficiency savings, reducing the net amount payable to the Audit Commission to £224,420.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF LINCOLNSHIRE COUNTY COUNCIL

Opinion on the Authority and firefighters’ pension fund financial statements

I have audited the financial statements and the firefighters’ pension fund financial statements of Lincolnshire County Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The firefighters’ pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Lincolnshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director of Resources and Community Safety and auditor

As explained more fully in the Statement of the Executive Director of Resources and Community Safety Responsibilities, the Executive Director of Resources and Community Safety is responsible for the preparation of the Authority’s Statement of Accounts, which include the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting

policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Resources and Community Safety; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Lincolnshire County Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Lincolnshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director of Resources and Community Safety and auditor

As explained more fully in the Statement of the Executive Director of Resources and Community Safety Responsibilities, the Executive Director of Resources and Community Safety is responsible for the preparation of the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Resources and Community Safety; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the Pension Fund Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Pension Fund Annual Report and Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Lincolnshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Lincolnshire County Council and the Lincolnshire County Council Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature]

Tony Crawley
Officer of the Audit Commission

Unit 10 Whitwick Business Centre
Whitwick Business Park
Stenson Road
Coalville
Leicestershire
LE67 4JP

September 2012

Appendix 2 – Uncorrected errors

My audit identified a number of discrepancies between the figures disclosed in the Property, Plant and Equipment (PPE) note (Note 14) and the asset register. All of these variances related to the reversal of manual journals processed in 2010 and the processing of the transactions through the asset register in 2011/12. The details are shown below.

Differences between Note 14 and the Asset Register		Statement of comprehensive income and expenditure		Difference
Asset Class	Note 14 Heading	Value in Note £'000s	Value in Asset Register £'000s	£'000s
Land and Buildings Gross Book Value (GBV)	Revaluation decreases to Revaluation Reserve	-6,047	-5,121	-926
Land and Buildings GBV	Revaluation increase / decreases to Surplus or deficit on the provision of services	19,466	19,290	176
Land and Buildings GBV	Derecognition to Revaluation Reserve	-1,159	-925	-234
Land and Buildings Depreciation	Depreciation written out to downward revaluation	2,716	1,684	1,032
Surplus GBV	Revaluation decreases to Revaluation Reserve	-297	-99	-198
Surplus GBV	Reclassification to/from Assets held for sale	-739	-475	-264
Net position				-414

Appendix 3 – Draft letter of management representation

Lincolnshire County Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Lincolnshire County Council, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in appendix 2 of the auditor's annual governance report are not material to the financial statements, either individually or in aggregate.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Lincolnshire County Council

I confirm that the this letter has been discussed and agreed by the Audit Committee on 24th September 2012

Signed

Name

Position

Date

Appendix 4 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term 'materiality' applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of 'significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

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- any director/member or officer in their individual capacity; or
- any third party.

