

AGENDA ITEM: 7

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Meeting	Audit Committee
Date	6 September 2011
Subject	External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2010/11
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	To consider the detailed reports from the external auditor on matters arising from the audit of the 2010/11 accounts. This includes the pension fund accounts.

Officer Contributors	Maria Christofi, Assistant Director Financial Services, Finance Directorate Anisa Darr, Finance Manager (Closing & Monitoring)
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – ISA 260 report 2010/11 Appendix B – Audited Statement of Accounts 2010/11
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Anisa Darr, Finance Manager (020 8359 7106).

1. RECOMMENDATIONS

- 1.1 That the Committee approve the audited Statement of Accounts 2010/11 and they be signed by the Chairman as having been approved.**
- 1.2 That the matters raised by the external auditor relating to detailed aspects of the 2010/11 accounts audit, including the pension fund accounts, be noted.**
- 1.3 That the officer response to matters raised by the external auditor be noted.**
- 1.4 That the Committee consider whether there are any areas on which they require additional information or action.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The un-audited Statement of Accounts for 2010/11 were approved, subject to audit, by the Audit Committee on 16 June 2011.**

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Review of reports made under the International Standard on Auditing (ISA) 260 are an integral part of corporate governance, this is inline with Barnet's Corporate Plan within 'Better services with less money'.**

4. RISK MANAGEMENT ISSUES

- 4.1 A positive external audit opinion on Barnet's Statement of Accounts plays an essential and key role in providing assurance that Barnet's financial risks are managed in an environment of sound stewardship and control.**

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community and to reduce the differential impact of the services received by all of Barnet's diverse communities.**

6. USE OF RESOURCES IMPLICATIONS (FINANCE, PROCUREMENT, PERFORMANCE & VALUE FOR MONEY, STAFFING, ICT, PROPERTY, SUSTAINABILITY)

- 6.1 The Statement of Accounts shows the financial position of the council as at 31 March 2011.**

7. LEGAL ISSUES

- 7.1 Section 151 Local Government Act 1972- '...every local authority shall make arrangements for the proper administration of their financial affairs...'**
- 7.2 The Council is a public authority that is subject to the audit of its annual accounts by an external auditor appointed by the Audit Commission, under the provisions of the Audit Commission Act 1998.**

8. CONSTITUTIONAL POWERS

- 8.1 Within the Council's Constitution, the functions of the Audit Committee are detailed and include "To consider the external auditor's annual letter, relevant reports and the report to those charged with governance".

9. BACKGROUND INFORMATION

- 9.1 In accordance with International Standard on Auditing (ISA) 260, the External Auditor is required to issue detailed reports on matters arising from the audit of the Council's accounts and Pension Fund accounts.
- 9.2 The ISA 260 report has to be considered by 'those charged with governance' before the External Auditor can sign the accounts, which legally has to be done by 30 September 2011.
- 9.3 Grant Thornton (GT) were presented with the draft financial statements on 31st May 2011 and accompanying working papers on 6th June 2011. This was a month earlier than normal and GT recognise the significant achievement by the council's finance team in managing this. GT also acknowledge that the working papers were of a high quality and the financial statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code), based on International Financial Reporting Standards (IFRS).
- 9.4 GT identified seven adjustments, that did not impact upon the general fund but that have an impact on the council's comprehensive income and expenditure statement. The adjustments noted on the balance sheet were of a presentational nature only and had no overall net effect on the council's reported assets and liabilities.
- 9.5 The key message arising from the audit of the financial statements are:
- The Council has successfully made the transition to accounting under IFRS.
 - Significant changes in the valuation of property, plant and equipment have been reviewed by GT and found to be in line with accounting standards.
 - There were a small number of significant accounting adjustments.
 - There were a small number of control issues arising that the council should address.
- 9.6 Grant Thornton anticipates providing an unqualified opinion on the Council's financial statements.
- 9.7 In providing the opinion on the financial statements GT are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion). GT expect to present an unqualified Value for Money Conclusion. GT will draw attention to the identified weaknesses around contract management. GT and Internal Audit will continue to monitor and report progress.
- 9.8 The ISA 260 report contains matters raised by the auditor, their

recommendations on the issues, and the management response. Any further update on these items will be given verbally at the meeting. To assist members in reviewing the external auditor's comments the audited Statement of Accounts 2010/11 are attached for information.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: MM

Finance: MC / JH