

# The Annual Audit Letter for London Borough of Barnet

**Year ended 31 March 2013**

January 2014

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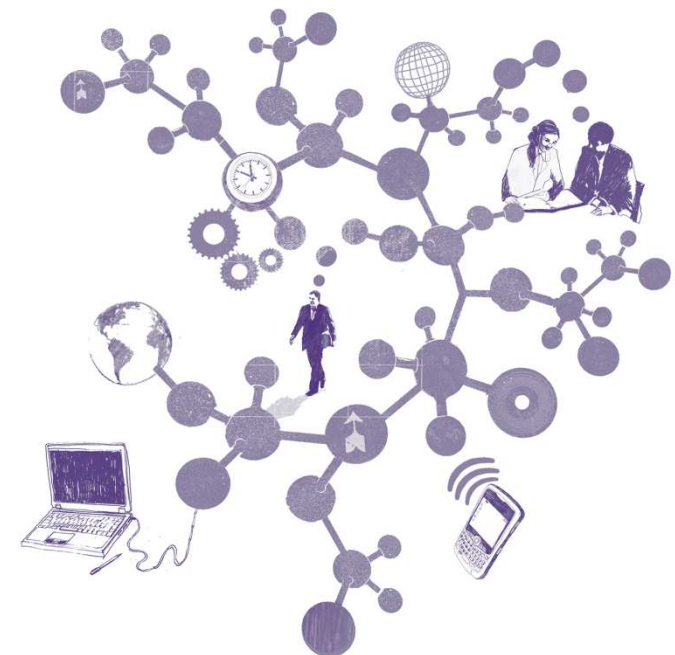
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# Section 1: Executive summary

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# Executive summary

## **Purpose of this Letter**

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at London Borough of Barnet ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 24 July 2013.

## **Responsibilities of the external auditors and the Council**

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 8 April 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## **Audit conclusions**

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission
- we have certified five claims and returns for the financial year 2012/13 relating to expenditure of £400 million. Of the certified claims, one required a minor amendment and one required amendment and qualification.

## **Key areas for Council attention**

We summarise here the key messages arising from our audit for the Council to consider.

### **Accounts audit:**

The accounts closedown and audit process was very successful this year, with the unqualified audit opinion issued on 14 August 2013, over a month ahead of last year.

We identified one adjustment that impacted on the Council's reported financial position, increasing net expenditure from £22.5m in the draft financial statements to £24.2m in the audited financial statements. This change related to an increased provision for council tax debtors and did not impact on the General Fund balance.

We also identified a number of minor adjustments relating to disclosures to improve the presentation of the financial statements.

Further details can be found in section 2 of this Letter.

### **Value for Money:**

An unqualified VFM conclusion was issued on 14 August 2013, confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013. Further details can be found in section 3 of this Letter.

### **Grant certification:**

We have completed the process of certifying the 2012/13 grant claims and returns, with all five claims having been certified within the required deadlines. Of the five claims certified, three were issue free, one required a minor amendment (Teachers' Pensions return) and one required amendment and qualification (Housing Benefits Subsidy claim).

Information on the claims certified is included in section 4 of this Letter and we have reported in full on our findings in a separate report to the Audit Committee.

### **Public challenge matters:**

We have recently completed our work in considering matters raised in a number of elector objections to the 2012/13 accounts. We issued our letters responding to the objections to the elector and the Council and formally certified the 2012/13 audit closed on 17 January 2014.

### **Acknowledgements**

This Letter has been agreed with the Council's Chief Operating Officer and will be presented to Audit Committee on 28 January 2014.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**January 2014**

## Section 2: Audit of the accounts

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# Audit of the accounts

## **Audit of the accounts**

The key findings of our audit of the accounts are summarised below:

### **Preparation of the accounts**

The Council presented us with draft accounts on 31 May 2013. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 10 June 2013. This is significantly in advance of the national deadline and we acknowledge the effort made by the Council's Finance Team in achieving this.

The financial statements and working papers were of a high quality and we received good support from the Finance Team at the Council when dealing with any queries. This enabled the Audit Findings Report to be presented to the Audit Committee at their meeting on 24 July 2013.

### **Issues arising from the audit of the accounts**

In the conduct of our audit, we did not have to alter or change our audit plan, which was communicated to the Council in our Audit Plan presented to the Audit Committee on 8 April 2013.

We undertook work on the key financial systems to support our approach to the accounts audit. This work did not identify any control issues that presented a material risk to the accuracy of the financial statements. We noted that the Council's overall control environment, as measured by the results of Internal Audit's programme of work, has improved during 2012/13. This performance is positive, and management should now continue to focus on addressing areas for improvement as highlighted in the Council's Annual Governance Statement, to embed a robust control framework in the Council's new operating structure in place since April 2013.

We identified one adjustment that impacted on the Council's reported financial position, increasing net expenditure from £22.5m in the draft financial statements to £24.2m in the audited financial statements. This change related to an increased provision for council tax debtors and did not impact on the General Fund balance.

We also identified a number of minor adjustments relating to disclosures to improve the presentation of the financial statements.

The results of our work on the Pension Fund audit were reported separately, but did identify a need for improvement in the preparation of the financial statements and their supporting working papers. Improvements in these areas will greatly aid the timetable for an early sign off and match the level of information provided elsewhere at the Council.

### **Annual Governance Statement (AGS)**

We reviewed the AGS to confirm that it complied with the requirements of 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007. We also concluded that the disclosures made were consistent with our knowledge of the Council and its strategic risks and represented good practice.

### **Whole of Government Accounts (WGA)**

The Council submitted its draft WGA pack for audit by the deadline of 30 July. We completed our review and were able to submit the audit pack, along with an unqualified assurance statement, in advance of the 4 October 2013 deadline. There were no significant issues noted with the quality of the information contained in the pack.

# Audit of the accounts

## **Conclusion**

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Council). We presented our report to the Audit Committee on 24 July 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 14 August 2013, ahead of the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

## **Public challenge matters**

We have recently completed our work in considering matters raised in a number of elector objections to the 2012/13 accounts. These were in relation to parking (four objections) and interim staffing arrangements (one objection).

In the course of our enquiries we considered:

- the written submissions of the elector and the Council
- discussions with the Council's Monitoring Officer, s151 officer and his team
- relevant documentation and guidance
- our own legal advice and consultation with the Audit Commission.

We issued our letters responding to the objections to the elector and the Council on 17 January 2014. Whilst our work identified some areas where the Council recognised the need to make improvements, there were no matters of sufficient significance to warrant the use of our statutory reporting powers.

Following completion of our work and issue of our letters, we formally certified the 2012/13 audit closed. We have included follow up of progress against the Council's parking improvement plan in our 2013/14 audit programme.



## Section 3: Value for Money

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# Value for Money

## Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

**The Council has proper arrangements in place for securing financial resilience.** The Council 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.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's performance against a series of key performance indicators and arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

Key indicators of performance	GREEN
Financial planning	GREEN
Financial governance	GREEN
Financial control	GREEN

Our work highlighted that, in common with local authorities nationally, the financial challenges facing the Council as it continues to deliver the savings reductions set out in the Governments 2010 Spending Review are significant. The Council is, however, meeting these challenges well and has good arrangements in place to ensure it remains resilient to deal with new financial risks as they emerge. Further details are provided in our Audit Findings Report issued in July 2013.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies. This review included the following:

- Conflict of interest review (New Support and Customer Services Organisation)
- Review of Regeneration Service
- Cost and performance benchmarking
- New 'Commissioning Council' arrangements.

Our work highlighted no significant issues and further details were provided in our Audit Findings Report issued in July 2013.

### Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

## Section 4: Certification of grant claims and returns

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# Certification of grant claims and returns

## **Introduction**

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified five claims and returns for the financial year 2012/13 relating to expenditure of £400 million. Details of the claims certified are provided below:

- Single Programme (RG31) – no amendment / no qualification
- Pooling of Housing Capital Receipts (CFB06) – no amendment / no qualification
- National Non Domestic Rates return (LA01) – no amendment / no qualification
- Teachers' Pensions Return (PEN05) – amended / no qualification
- Housing Benefits Subsidy claim (BEN01) – amended / qualified

## **Key messages**

The number of claims requiring amendment has fallen from 2011/12 and the Housing Benefit claim remains the only claim requiring qualification. It should be noted that this is a complex return and it is not unusual for this return to be subject to qualification.

Further details are provided in our certification report issued in January 2014.

Appendices

# Appendices

## Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

### Fees

	Per Audit plan £	Actual fees £
Audit Fee	224,100	(i)
Pension Fund audit (ii)	20,226	29,726
Grant certification fee	40,800	40,800

### Fees for other services

Service	Fees £
None	Nil

- (i) The actual audit fee will be in excess of budget due to the cost of dealing with a number of elector objections. Upon submission of costs incurred, the Audit Commission will determine the additional fee payable by the Council. We will write separately once this is determined.
- (ii) We agreed an additional fee of £9,500 for the pension fund audit for the additional audit time and testing that was required.

### Reports issued

Report	Date issued
Audit Plan	April 2013
Audit Findings Report	July 2013
VfM – Financial Resilience Report (included within the Audit Findings Report)	July 2013
Certification report	January 2014
Annual Audit Letter	January 2014

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