

# The Audit Findings for the London Borough of Barnet

**Year ended 31 March 2014**

11 July 2014

**Paul Hughes**

Engagement lead

T 0207 728 2256

E [paul.hughes@uk.gt.com](mailto:paul.hughes@uk.gt.com)

**Nick Taylor**

Manager

T 01223 225514

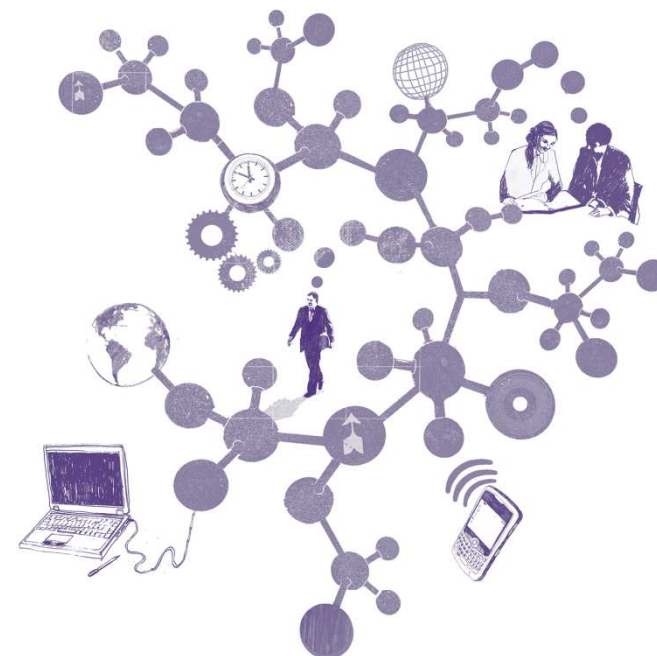
E [nick.taylor@uk.gt.com](mailto:nick.taylor@uk.gt.com)

**Chris Poole**

Audit Executive

T 0207 728 3334

E [chris.poole@uk.gt.com](mailto:chris.poole@uk.gt.com)



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

## Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	5
2. Audit findings	9
3. Value for Money	21
4. Fees, non audit services and independence	32
5. Communication of audit matters	34
<b>Appendices</b>	
A Action plan	
B Draft audit opinion	
C Draft letter of representation	

## Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of London Borough of Barnet's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting ('the Code'). We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to change our planned audit approach, which we communicated to you in our Audit Plan dated 29 April 2014. We received draft financial statements and accompanying working papers at the start of our audit on 9 June 2014, in accordance with the agreed timetable. The Council's finance team has worked effectively with our audit team throughout the course of the audit to progress testing and has responded promptly to all audit queries promptly.

Our audit is substantially complete although we are finalising our work in the following areas:

- HRA rental revenue, Council Tax, NNDR and Operating expenses audit procedures

- initial DWP certification testing
- our internal review process
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion
- certification of the Council's Whole of Government Accounts return.

The CSG contract started in the middle of the year and resulted in the outsourcing of the finance function to Capita. With this change in arrangements it has been important for the audit team to work closely with the Capita finance team to enable the timetable for an early accounts sign off to be met. This represented a significant risk to the Council and we are pleased to report that the changes in arrangements have not impacted on the delivery of the audit with a timetable for completion 2 months in advance of the national deadline.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements by the end of July, in line with the timetable for early audit completion agreed with the Council.

At the time of writing, we have not identified any adjustments affecting the Council's reported financial position. The draft financial statements recorded net income of £50,576k and currently this remains unchanged. We have identified a number of minor amendments to improve the presentation of the financial statements (details are recorded in section 2 of this report).

The key messages arising from our audit of the Council's financial statements are:

- We have tested in detail the accounting treatment of the CSG contract with Capita to ensure that it is correctly recognised within the accounts. No issues have been noted from the review completed.
- As part of our review of asset valuations, we identified that the Council has a different interpretation of the new Code requirements regarding the regularity of revaluations. Our view of the guidance is that whole classes of assets should be revalued within a single year to avoid reporting a mixture of values at different dates. The Council interprets that a rolling programme of revaluations is sufficient on the basis of the Code requirement allowing for rolling revaluations over a 'short period' of three to five years. Whilst we have highlighted this difference in interpretation we are satisfied that any difference in valuation as a result of the different interpretations is unlikely to be material
- We have completed initial Department of Work and Pensions certification testing of 60 individual benefits cases across all award types and have identified one error, with the review of 3 cases still being finalised. Whilst we are still trying to quantify the full extent of these errors, they are not considered to be material in relation to the financial statements. We will, however, be required to complete additional 40+ testing as part of our grant certification process.
- We have reported in detail on the pension fund audit within the separate Audit Findings Report to Audit Committee.

Further details are set out in section 2 of this report.

### **Value for Money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion

Further detail of our work on Value for Money is set out in section 3 of this report.

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

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

### **Controls**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any significant control weaknesses, but we draw your attention to some control issues in relation to the IT control environment (please see section 2 of this report) that, while unlikely to lead to a material misstatement in the financial statements, we nevertheless consider important and are therefore reporting them to you.

We note that the Council's overall control environment, as measured by Internal Audit's programme of work, has remained good and the Head of Internal Audit has again given 'satisfactory' assurance on the effectiveness of the Council's overall control framework.

This performance is positive and has been achieved by Council officers in a year involving significant structural change with the outsourcing of back office functions, including finance, to Capita. Management must continue to focus on maintaining the controls in place as a number of systems undergo further changes.

### **The way forward**

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed and agreed with the Council's Chief Operating Officer and the finance team.

### **Acknowledgment**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team, the housing benefits team and other Council staff during our audit.

**Grant Thornton UK LLP**  
**July 2014**

## Section 2: *Audit findings*

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters



## Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 29 April 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

### **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 29 April 2014.

### **Audit opinion**

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion wording is set out in Appendix B.

## Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>Throughout the course of the audit we have performed the following:</p> <ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual and significant transactions</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition. The Council has adopted appropriate accounting policies regarding revenue recognition and our testing supports compliance with the policies.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<p>Throughout the course of the audit we have performed the following:</p> <ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual and significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

## Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Operating expenses</b></p>	<p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• We have documented our understanding of processes and key controls over the transaction cycle</li> <li>• We have undertaken walkthrough testing of the key controls to assess whether those controls are designed effectively and operating in accordance with our documented understanding</li> <li>• We have undertaken testing on a sample of expenditure invoices throughout the year to gain assurance that expenditure has occurred and has been correctly classified</li> <li>• We have undertaken cut off testing</li> <li>• We have reviewed large and unusual creditor balances and tested a sample of items</li> </ul>	<p>We are still completing the final areas of audit testing but, at the time of writing, our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Employee remuneration</b></p>	<p>Employee remuneration accrual understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• We have documented our understanding of processes and key controls over the transaction cycle</li> <li>• We have undertaken walkthrough testing of the key controls to assess whether those controls are designed effectively and operating in accordance with our documented understanding</li> <li>• We have undertaken testing on a sample of employees throughout the year, including the agreement of pay run data to individual pay slips and contracts of employment</li> <li>• We have completed monthly trend analysis of payments recognised</li> <li>• We have undertaken cut off testing</li> <li>• We have reviewed senior management remuneration and disclosures</li> <li>• We have agreed the pensions liability to third party confirmation</li> </ul>	<p>We are still completing the final areas of audit testing but, at the time of writing, our audit work has not identified any significant issues in relation to the risk identified.</p>

## Audit findings against other risks (continued)




Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Welfare expenditure</b>	Welfare benefit expenditure improperly computed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>We have documented our understanding of processes and key controls over the transaction cycle</li> <li>We have undertaken walkthrough testing of the key controls to assess whether those controls are designed effectively and operating in accordance with our documented understanding</li> <li>We have completed initial Department of Work and Pensions certification testing of Housing Benefits, including analytical review and verification of benefits awarded on a sample basis</li> <li>We have completed testing of a sample of Council Tax support payments</li> </ul>	<p>Our audit work has included testing 60 cases across all award types. At the time of writing we had identified one error (in relation to HRA rent rebates) and three cases were still to be finalised. The Council's benefit team is carrying out further work around these outstanding cases.</p> <p>The impact of these errors is not considered to be material in relation to the financial statements, but we will be required to complete 40+ testing as part of our grant certification work.</p>
<b>Housing Rent Revenue Account</b>	Revenue transactions not recorded	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>We have documented our understanding of processes and key controls over the transaction cycle</li> <li>We have undertaken walkthrough testing of the key controls to assess whether those controls are designed effectively and operating in accordance with our documented understanding</li> <li>We have performed detailed analytical review procedures to gain assurance over the completeness of rental income</li> <li>We has completed testing of a sample of properties listed to verify the completeness of rental income</li> </ul>	<p>We are still completing several areas of audit testing but, at the time of writing, our audit work has not identified any significant issues in relation to the risk identified.</p>

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Property, plant &amp; equipment</b></p>	<p>PPE activity not valid</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• We have documented our understanding of processes and key controls over the transaction cycle</li> <li>• We have undertaken walkthrough testing of the key controls to assess whether those controls are designed effectively and operating in accordance with our documented understanding</li> <li>• We have reviewed and tested a sample of additions and disposals</li> <li>• We have performed existence testing on a sample of assets</li> <li>• We have reviewed the work completed by the Valuations Team, including ensuring that any valuations have been undertaken in accordance within the requirements of the appropriate accounting and professional standards</li> </ul>	<p>As part of our review of asset valuations, we identified that the Council has a different interpretation of the new Code requirements regarding the regularity of revaluations. Our view of the guidance is that revaluations of a whole class of assets should be considered within a single year to avoid reporting a mixture of values at different dates. The Council interprets that a rolling programme of revaluations is sufficient on the basis of the Code requirement allowing for rolling revaluations over a 'short period' (3 to 5 years).</p> <p>We are satisfied that any difference in valuation as a result of the different interpretations is unlikely to be material.</p> <p>We are still completing the final areas of audit testing but, at the time of writing, our audit work has not identified any further significant issues in relation to the risk identified.</p>

## Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>We have reviewed the accounting policies in place with regard to revenue recognition</li> <li>The accounting policy ensures that income for services provided is recognised when, and to the extent that, performance occurs. Grant income is recognised when there is assurance that the Council will comply with any conditions attached to the payments</li> </ul>	<ul style="list-style-type: none"> <li>The revenue recognition policy is in line with the requirements of the Code and accounting standards</li> <li>Testing performed on revenue balances has confirmed that, for the sample selected, the Council has accounted for income in line with the policy</li> </ul>	
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>Judgements and estimates have been considered in the following areas:                             <ul style="list-style-type: none"> <li>Asset valuations</li> <li>Useful economic lives of PPE assets</li> <li>PFI disclosures</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>We have reviewed the work completed by the Valuations Team. This testing has not identified any issues with the individual valuations performed, all of which were found to be in line with appropriate professional standards. However, as part of our review, we identified that the Council has a different interpretation of the new Code requirements regarding the regularity of revaluations. Our view of the guidance is that revaluations of a whole class of assets should be considered within a single year to avoid reporting a mixture of values at different dates. The Council interprets that a rolling programme of revaluations is sufficient on the basis of the Code requirement allowing for rolling revaluations over a 'short period' We are satisfied that any difference in valuation as a result of the different interpretations is unlikely to be material</li> <li>We completed a review of the useful economic lives of PPE assets and no issues were noted from the testing performed.</li> <li>We reviewed the PFI disclosures and ensured that information presented in the financial statements was in line with the operating model. No issues were noted from the work performed.</li> </ul>	
<b>Other accounting policies</b>	<ul style="list-style-type: none"> <li>We have reviewed the Council's policies against the requirements of the Code and accounting standards.</li> </ul>	<ul style="list-style-type: none"> <li>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</li> </ul>	

### Assessment

 Inappropriate accounting policy

 Accounting policy subject to interpretation

 Accounting policy appropriate and disclosures sufficient

## Adjusted misstatements

At the time of writing, no significant adjustments to the draft financial statements have been identified during the audit process.

## Misclassifications & disclosure changes

As at the time of writing, the table below provides details of misclassification and disclosure changes identified during the audit which have been made within the financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	-	Note 35 – Audit Costs	<ul style="list-style-type: none"> <li>In line with auditor expectations, following changes to the scale fee made by the Audit Commission, the Council has amended the 2013/14 audit fee disclosed within the financial statements.</li> </ul>
2 Disclosure	-	Note 38 – Related Parties	<ul style="list-style-type: none"> <li>The related parties disclosure has been amended to show the amounts of transactions and any outstanding balances with subsidiaries and joint ventures</li> </ul>
3 Disclosure	-	Note 39 – Capital Expenditure and Capital Financing	<ul style="list-style-type: none"> <li>The note has been restated by the Council to amend the original version submitted within the draft financial statements which was based on incorrect information.</li> </ul>
4 Disclosure	-	Note 46 – Contingent Liabilities	<ul style="list-style-type: none"> <li>In line with auditor expectations, the contingent liabilities note has been updated through the audit process to disclose additional liabilities identified by the legal team.</li> </ul>
5 Disclosure	-	Financial Statements	<ul style="list-style-type: none"> <li>There were a number of minor presentational issues that were identified during the course of our audit. These have been amended in the financial statements.</li> </ul>



---


## Unadjusted misstatements

At the time of writing, our audit work has not identified any adjustments which we requested be processed, but which have not been made within the financial statements.


## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
<b>IT findings:</b>			
1.		<p><b>IT controls</b></p> <p>As part of our review of IT controls, we identified a number of minor points in relation to the SAP system. These related to access controls in place, which aligns with the results of Internal Audit work. As this system is currently being replaced with a new Integra system, we have reported these points in generic terms to the Council to ensure that they are resolved in the new system. The Council has provided comments against each of these points and as part of our 2014/15 audit work we will be monitoring and reviewing implementation of the new system, which will include consideration of the points raised.</p>	<ul style="list-style-type: none"> <li>The Council should ensure that all points raised following the review of the SAP system are considered as part of the new Integra system.</li> </ul>

**Assessment**

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

## Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have discussed the risk of fraud with the Council's management including the Operational Assurance Assistant Director who oversees the delivery of the Council's counter-fraud work programme. We note the fraud investigations the Council has undertaken during the year, details of which it has reported to the Audit Committee and to the Audit Commission as part of its annual fraud and corruption survey of local councils. We do not consider that the frauds identified in 2013/14 or currently under investigation have a material impact on the Council's accounts. We have not been made aware of any other incidents in the period from discussions with other officer, including the Chief Operating Officer and no other issues have been identified during the course of our audit procedures</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>We have requested a standard letter of representation from management, a draft of which is included at Appendix C to this report for information. We have requested, representations from management in respect of the adequacy of the judgments and significant estimated made by management in preparing the financial statements, the completeness of information provided to audit by management, and the completeness of the financial statements themselves and management's awareness of fraud, control weaknesses or other irregularities that could materially affect the position reported in the Council's financial statements.</li> <li>We request these representations for all our local government audits and have not identified any specific risks from our audit testing requiring additional representations specific to this Council.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>We have reviewed all narrative disclosures included within the financial statements and have agreed improvements to these disclosures with finance officers where we have identified these.</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed in the financial statements.</li> </ul>
6.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis. The Council has set a balanced budget for 2014/15 and has detailed plans in place to achieve savings targets.</li> </ul>
7.	<b>Annual Governance Statement</b>	<ul style="list-style-type: none"> <li>We are in the process of reviewing the Council's Annual Governance Statement to confirm it complies with the requirements of 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007. Initial review has confirmed that the disclosures made are consistent with our knowledge of the Council and its key strategic risks.</li> </ul>

## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non audit services and independence

05. Communication of audit matters

# Value for Money

## Value for money conclusion

The Code of Audit Practice 2010 (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; and
- review regularly the adequacy and effectiveness of these arrangements.

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

These criteria are:

### **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.





## 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 2014.

## Key findings – securing financial resilience

In common with local authorities nationally, the financial challenges facing the Council are significant. The Council is, however, meeting these challenges well and has good arrangements in place to ensure it remains resilient to deal with the new financial risks as they emerge.

We have undertaken a review which considered the Council's arrangements against the expected characteristics of proper arrangements as defined by the Audit Commission and have summarised our overall assessment of each area in the table below :

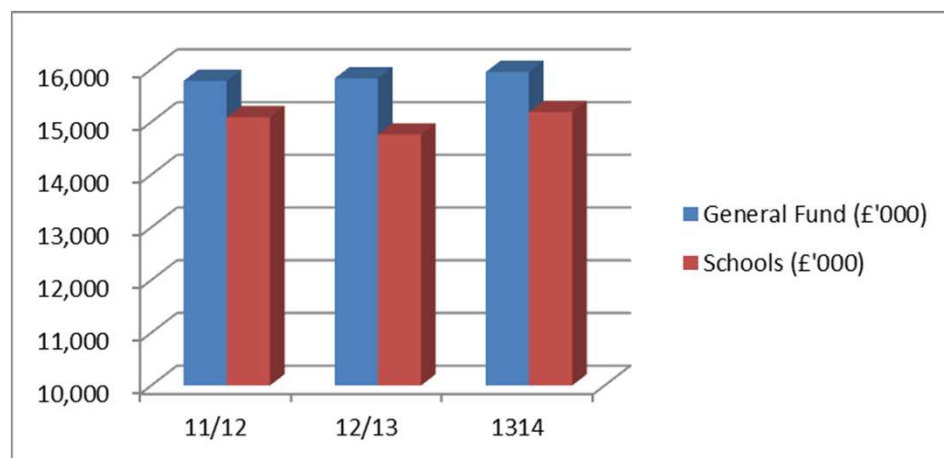
Characteristic	2013/14 Assessment
Key indicators of financial performance	 Green
Financial planning	 Green
Financial governance	 Green
Financial control	 Green

## Value for Money (continued)

### Key indicators of financial performance:

The Council continues to perform well in this area and has been able to manage its financial position effectively in the year with the 2013/14 budget including a freeze on Council Tax.

The Council has reported a service underspend of £120k for the year. This has been taken to the General Fund, from which there has been a net transfer of £16,111k to earmarked reserves. The £15m minimum level for the General Fund balance remains in place (equivalent to just over 5% of the Council's expenditure budget) and the Council remains ahead of this, with the closing balance at 31 March 2014 being just under £16m. Schools balances also remain healthy, with a £428k increase to a balance of £15,189k at the year end. The graph below shows the year on year balances across the General Fund and Schools, highlighting the consistent nature of the balances.



The liquidity position of the Council remains strong, with the financial statements showing a healthy cash position at the year end. The cash balance at 31 March was £24,890k, set against an overdraft of £22,423k. In addition, the Council was holding £135,287k in short term deposits.

Workforce indicators show an improvement in performance against the sickness indicator, with the average number of sickness days improving from 7.7 days to 7.2 days. Whilst this remains above the Council's 6 day target, this is the right direction of travel and is below the benchmarking level of 9 days.

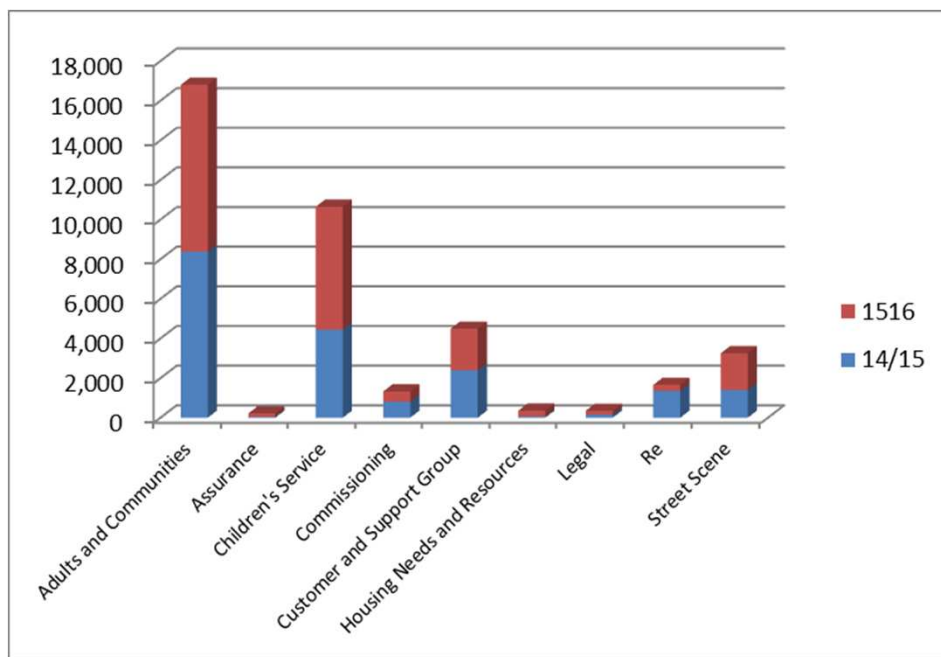
Review of performance reports shows that the Council has managed emerging cost pressures during the year to ensure that the budget has been met. As part of this process, the contract with Capita has now been signed with CSG now providing the back office services. Going forward, the Council must closely monitor performance to ensure that the contracts are delivering in line with expectations and not impacting adversely on front line service delivery.

### Financial planning:

The Council continues to have a clear process in place to manage its financial planning. The Business Planning report was presented to the Cabinet in February 2014, including the medium term financial strategy (MTFS) for 2014/15 and 2015/16. This plan has been prepared on the basis of a 1% reduction in Council Tax for 2014/15 and a freeze in 2015/16.

## Value for Money (continued)

The budget identifies that the total budget gap over the 2 year period is £36.7m. With additional pressures of £2.4m, the Council has been required to identify savings of £39.1m to enable a balanced budget to be set. These savings have been subject to detailed review to ensure that they are both deliverable and in line with Council policy. They are split across individual delivery units as shown below:



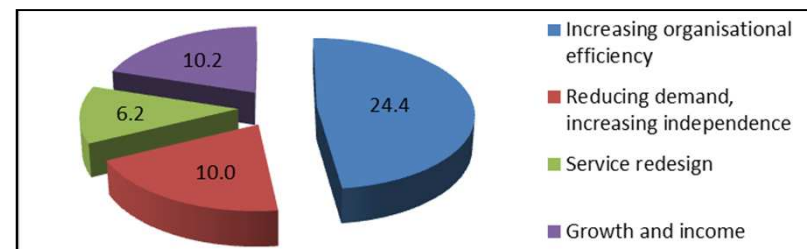
Clearly there are many challenges faced by the Council, but it is a positive to have set a balanced budget for both 14/15 and 15/16. Built into this process is consideration of the reserve levels and the budget confirms that both the General Fund Reserve and the Housing Revenue Account will be above the minimum levels as set by the Reserves Policy.

What is clear from the work performed around financial planning is that the Council has not just focussed on the short term. This is particularly evidenced through the Priorities and Spending Review 2014. This report is the result of a very detailed piece of work performed by the Council to both gather evidence and generate ideas to enable important services to be provided going forward.

The Report forecasts a gap of £72m in the Council's finances between 2016 and 2020. Effectively this means that the Council's spending power in 2020 will be roughly half of what it was in 2010.

This Plan sets out a number of options totalling potential savings of around £51m. It is made up of a range of different focuses:

- preventative action and investment to unlock future savings
- changing behaviour to reduce demand on services
- provide more efficient and better integrated services with other parts of the public sector
- prioritise resources, potentially resulting in the need to stop providing services others may be able to do better.



The Council has clearly taken a long term view and has tried to get ahead of the likely challenges. The Plan recognises that whilst the scale of this challenge is massive, the Council will still have a significant budget that it will need to use effectively. It also recognises that there will be a number of opportunities which the Council must be in a position to utilise.

## Value for Money (continued)

### Financial governance:

Our prior year Audit Findings Report confirmed that the Council was performing well in this area. We have updated this review to cover 2013/14 and no issues have come to light that have indicated any significant changes to this position.

The Council has a good track record of delivering its financial plan and ensuring that reserves are maintained in excess of the target levels. Clear reporting arrangements remain in place and members continue to receive detailed quarterly reports to help them oversee the performance of the Council.

The Council has consulted extensively on the budget and medium term financial strategy and has been able to identify savings sufficient to enable budgeting for a balanced budget in both 2014/15 and 2015/16. In addition to this, the Council has developed the Priorities and Spending Review to ensure that the focus is not solely on the short term.

Management has scrutinised both the financial and operational performance of the Council effectively throughout the year, including through the Delivery and Strategic Commissioning Boards. These meetings have proven effective at ensuring that the focus of senior management is on the key high risk areas, enabling mitigating actions to be discussed and agreed at the earliest possible opportunity.

In the year, the outsourcing of the back office functions to Capita has taken place, representing a significant change for the Council. We have considered separately how this contract is monitored on an on-going basis, but it is vital that the Council remains confident in the governance arrangements it has in place around the performance of these back office functions.

### Financial control:

Our prior year Audit Findings Report confirmed that the financial control at the Council was assessed as green and no significant issues had been identified. We have updated our review for 2013/14 and no issues have come to light that have indicated any changes to this position.

A review of the Head of Internal Audit opinion has noted that the Council has continued to make good progress around its internal control environment. Internal Audit provided the following opinions:

- satisfactory assurance on the Council's overall internal control environment
- satisfactory assurance on the key controls in operation within key financial systems.

The Council continues to produce reliable financial information and audit work has not highlighted significant adjustments to the draft financial statements. Following the outsourcing of the finance function to Capita, the finance system has been upgraded for the 2014/15 financial year. This should provide some efficiencies to the Council, but it is key that the quality of the financial information available remains high.

A key point raised in the 2012/13 Audit Findings Report was the management of the capital programme and this remains a key area for improvement. In 2013/14, the Council delivered an actual spend of £103m against a revised budget of £136m. Against the original budget for the full financial year there has been slippage of £99m. This slippage represents 49% of the programme, compared to 65% in 2012/13.





## Value for Money (continued)

Whilst it is positive to see the slippage reducing as a proportion of the total plan, this is still a significant variance from plan and the Council must continue to monitor their performance in this area closely. The major slippage in the year relates to the Children's Education and Skills programme and the work on the school expansion programme. This slippage is across all schemes and is not limited to individual projects.

### Key findings – 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.

We have undertaken a review which considered the Council's arrangements against the expected characteristics of proper arrangements as defined by the Audit Commission and have summarised our overall assessment of each area in the table below :

Characteristic	2013/14 Assessment
Prioritising resources	 Green
Improving efficiency and productivity	 Green

In line with the Audit Plan, we have considered a number of areas as part of this review.

### Performance monitoring of the CSG contract and the Re (Regional Enterprise) joint venture:

During 2013/14, the Council has entered into a major contract and a joint venture with Capita:

- Customer and Support Group (CSG)
- Re (Regional Enterprise) Limited.

Given the importance of these contracts to the Council, as part of the VfM work for the year it was agreed that we would consider the performance monitoring in place to understand the arrangements that exist to measure the achievement of value for money from the contracts.

#### *Customer and Support Group:*

Capita was awarded the contract to run the Council's back office services starting from September 2013. The contract was established with the aim of both reducing back office costs and improving customer service to residents. Essentially, these can be split into financial and non financial benefits.

#### *Re (Regional Enterprise) Limited:*

Re is the joint venture between LBB and Capita to provide development and regulatory services to residents both in Barnet and more widely across the South East. Whilst the agreement has guaranteed the Council a cost saving of £39m, there will also be significant investment in new technology, improving facilities and training staff. As with the CSG contract, there should be both financial and non-financial benefits, with an improved service being provided for residents.

The monitoring processes in place for both of these contracts is based on a standard structure. This has been considered in detail over the page.

## Value for Money (continued)

Within both the CSG and the Re delivery units there is a detailed programme of monthly monitoring in place. This ensures that each month there is a detailed report produced reflecting on performance against the indicators contained within the contracts.

These indicators were established prior to the contract being signed and are based on clear service objectives and priorities that were set by the Council as part of the contract agreement process. Review of the contract has shown that each individual indicator is clearly defined within the agreement, where there is a detailed data sheet in place. This covers a wide range of information about the indicator but, most importantly, sets out in detail how the outturn is to be calculated.

The monthly performance reports are provided to the Senior Responsible Officer (SRO) for the service within 10 days of the month end. The SRO is then required to review these reports and to challenge the information presented. Using the data sheet requirements, the SRO is able to drill down against any of the reported indicators to ensure that information is being reported accurately. In addition to this, a programme of data quality testing is performed by the Commercial Team. Through a risk based approach, it is possible to ensure that key indicators are subject to regular review and re-performance.

This information is then discussed at the monthly Contractual Board chaired by the Chief Operating Officer. Separate Boards exist for CSG and Re and they act as a forum through which to monitor and govern contract performance. These meetings also help to highlight what issues need to be subject to escalation into the quarterly reports. Furthermore, they provide an opportunity to assess whether the indicators are providing information as intended. Where this is not considered to be the case, the Council then has the right to amend the indicator as part of an annual review.

Above the monthly monitoring, delivery units all produce an individual performance report each quarter. All of these reports are made available on the Council's website.

Review of this report has shown that it contains a significant amount of supporting narrative. Both CSG and Re report against all of their contract PIs, with the quarterly report highlighting and explaining the major points. Whilst not presented formally to the Delivery Board or the Performance and Contract Monitoring Committee, these reports can be called in for detailed discussion at any time. This is made clear by the Terms of Reference for the Committee.

The focus of the report is based on the escalation model with three distinct tiers:

- 1) there is an issue but it is containable within the Delivery Unit
- 2) a more significant issue exists which requires an improvement plan, but the delivery unit is able to handle it
- 3) major issue where a policy needs fixing, or where there is a long term failure of the delivery unit.

The level of escalation is decided following a review of data by the Performance Team and the Lead Commissioner. In all cases, where an issue continues to repeat it will be recommended to the Delivery Board that it should be escalated.

Performance against these contracts is monitored at a committee level through the quarterly budget and performance monitoring report as presented to the Performance and Contract Management Committee. All of these reports are made available on the Council's website.

## Value for Money (continued)

This Report is discussed in detail at Delivery Board, Strategic Commissioning Board and Performance and Contract Monitoring Committee.

This Report contains high level summary information in relation to all delivery units, including both CSG and Re. Primarily, it reports performance against both revenue and capital budgets and it also highlights the number of performance indicator targets being met by the contract. A link to the more detailed information made available is also included.

It is clear from the review above that both the CSG and the Re contracts are monitored in substantial detail. Reporting is completed against a wide range of performance indicators and these all reconcile back to the requirements of the contract. Data is provided in a timely manner and reviewed on a monthly basis by key officers within the Council. Key issues are then subject to the standard escalation process before being highlighted within the quarterly reporting to senior officers and the Performance and Contract Monitoring Committee.

Whilst detailed monitoring is taking place, it is vital that the Council ensures that the indicators remain subject to regular review and data quality checks. This will continue to provide assurance that the indicator information being provided is in line with the contract, can be traced back to source data and that accurate information on performance is being reported.

### **Performance monitoring of the in-house waste contract**

The Council started a new waste and recycling service in October 2013. This was intended to make recycling easier and also enable more to be recycled.

This new service was seen as very important by the Council and as part of the VfM work for the year it was agreed that we would consider the performance monitoring in place to understand the arrangements that exist to measure the achievement of value for money from the contract.

As part of the Street Scene delivery unit there is a detailed programme of monthly monitoring in place. This ensures that each month there is a detailed report produced reflecting on the performance of the waste service.

When each refuse vehicle tips its load it is provided with a weighbridge ticket. This details how much waste of each waste stream has been tipped. North London Waste perform detailed checks on the weighbridge information and provide final audited figures on a quarterly basis.

Unaudited information is provided by North London Waste to the Waste Performance Team at the Council. This is split into the following waste streams:

- refuse
- green waste
- dry recyclables
- food waste.

In addition to the data provided by North London Waste, the Council also collect data regarding the Household Waste and Recycling Centre along with green banks across the borough.

## Value for Money (continued)

The Performance Team then collate all of the information received to get a detailed view of the levels of waste each week. This is then discussed through a monthly 'business as usual' performance meeting which considers performance patterns across the different types of waste.

As the waste service is still new, there are not a wide range of indicators being monitored as the base data is yet to be in place. As more monthly information is obtained, the performance team will consider establishing a number of more detailed performance indicators across the different types of waste. This will provide improved monitoring information for the Council to use to manage and improve the service.

The new bins also contain chips which will enable the Council to monitor participation in recycling. As this information begins to be recorded, it will enable to Council to set their focus on areas of underperformance in the Borough.

Above the monthly monitoring, the performance of the waste contract is included within the Street Scene delivery unit performance report each quarter. All of these reports are made available on the Council's website.

Review of this Report has shown that it contains the key indicator in relation to the waste contract, which is to increase the percentage of household waste sent for refuse, recycling and composting to 40%. As with the CSG and Re reports already discussed, this Report is based on the escalation model and is not presented formally to the Delivery Board or the Performance and Contract Monitoring Committee, but it can be called in for detailed discussion at any time.

Street Scene performance, as with CSG and Re, is monitored at a committee level through the quarterly budget and performance monitoring report as presented to the Performance and Contract Management Committee. This report again includes the key indicator in relation to the waste contract.

It is clear from the review above that the performance of the waste contract is monitored closely and on a regular basis. Data is provided in a timely manner and reviewed on a monthly basis by key officers within the Council. Key issues are then subject to the standard escalation process and highlighted within the quarterly reporting to senior officers and the Performance and Contract Monitoring Committee.

In comparison to the Capita contracts which we have also considered, there are far fewer performance indicators regularly monitored. The Council recognises that this is the case and as suitable base data becomes available, the intention is to record and report on a far greater range of targeted indicators going forward. By reviewing the information in greater detail, the Council will be able to better focus on achieving its target of 50% recycling by 2020.

## Value for Money (continued)

### 2012/13 follow up – NSL parking contract:

The key point for follow up was in relation to the failure to collect income due for the year as a result of weaknesses in the management of the parking enforcement contractor NSL Ltd.

The monitoring of the contract has been discussed in detail with the Council. It was agreed that there was a period up to 2012/13 where the level of debt recovery was poor. This led to a build up of old outstanding debt, requiring a significant write off.

As part of the outsourcing of the parking contract to NSL, there was a requirement for NSL to appoint bailiffs. However, when they took over the contract in May 2012, due to the shortened lead in time, they did not have these contracts in place. This was not resolved as quickly as hoped and it was six months before they were finalised. We reported this issue last year.

The current position is that NSL have contracts with two bailiff companies. The Council has insisted that there is an even split between the work of these two companies and that their individual performance is closely monitored. Using this information, the Council intends to route cases to the best performing company and also to recycle cases between the two if progress is not being made.

Through discussions with NSL, the Council is also attempting to focus on those debts with the best chance of recovery. For example, there is now a requirement for the bailiff companies to complete a pre debt check before they register the debt and start recovery work. A system has also been put in place to ensure that when debt reaches a certain age it is automatically put through a pre debt check and, if suitable, is then issued directly to the bailiff.

The Council has been able to request detail around the contracts between NSL and the bailiffs and they are able to drill down to review individual cases, to understand what activity has taken place and to ensure that the bailiffs are not 'cherry picking' cases.

NSL provide the Council with monthly reports detailing the level of recovery and the Council are able to see all remittances on a monthly basis. They also have access to the NSL system to be able to confirm the data that is being reported to them.

All of this information is monitored by the Council's Parking & Client Team and the data is used in compiling the monitoring reports as highlighted above. However, having reviewed these reports, there is no key performance indicator within the contract that reports back on the level of debt recoverability. Whilst it is clear that this information is made available and reported to the Council, it is not one of the indicators linked to the contract. This was discussed with the Council and it is agreed that this is an indicator that they would like to see added to the contract. By doing this they will increase the visibility around the recovery performance and it will also become linked to the payments made to NSL. This would clearly be beneficial.

It is clear that performance around the recoverability of debt is now monitored in more detail than previously. The Council has recognised that there was underperformance in this area and they now have far greater access to information around performance. However, this would be improved by including this as a performance indicator in relation to the contract as this would ensure that performance in this area is then directly linked to the payments made to NSL.

## Value for Money (continued)

### 2012/13 follow up – interim staffing:

As a response to the objection, the Council committed to undertake a review to ensure that:

- all interim staff are contracted and paid through Comensura, who take responsibility for ensuring contractors' PAYE or Limited Company status
- all suppliers are VAT registered or provide an income tax return to confirm their responsibility for tax
- where contractors are not VAT registered or provide an income tax return, then the payments will be processed via the payroll and paid net of appropriate deductions.

The follow up to this objection was discussed in detail with Council officers and we were able to confirm that the Council now has arrangements in place to ensure that all interim staff are paid through Comensura. Comensura are then required to ensure that staff have the required PAYE or Limited Company status in place.

To ensure that this remains the case a detailed monitoring process has been established by the Council. Each month, the Financial Planning Team provide two detailed reports around interim staff to HR. The first of these shows all expenditure that has been coded to the agency and consultancy account codes and the second shows the element of the spend that is non-Comensura. These reports are then reviewed by the Delivery Units to identify any staff that they think should be dealt with through Comensura and accordingly to ensure that the required arrangements are in place where appropriate.

It is clear that use of interim staff is now monitored in much more detail than it had been previously. The monthly reports are in place to clearly highlight payments made outside of the arrangement with Comensura and these are followed up on an individual basis.

## Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

## Fees, non audit services and independence

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

### Fees

	Per Audit plan £	Actual fees £
Council audit	224,100	224,100
Grant certification (i)	38,400	TBC
<b>Total audit fees (ii)</b>	<b>262,500</b>	<b>[xx]</b>

- (i) Certification of grant claims and returns are not due until later in the year so this remains work in progress at the date of this report. The Audit Commission has also revised its scale fee to £31,597. Confirmation of the final fee will be included within the separate Certification Report later in the year
- (ii) Pension fund audit work is completed separately from the main Council audit (please see Pension Fund Audit Findings Report for further details)

### Fees for other services

Service	Fees £
None	Nil

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.



## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report 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)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit Plan	Audit Findings
<b>Our communication plan</b>		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

## Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
<b>IT findings:</b>				
1.	<ul style="list-style-type: none"> <li>The Council should ensure that all points raised following the review of the SAP system are considered as part of the new Integra system.</li> </ul>	Medium	The Council is conducting a review of the system access controls to Integra as it's new financial system, which will ensure officers have the correct level of access and addresses the points raised regarding the former SAP system	Paul Thorogood September 2014
<b>VfM findings:</b>				
2.	<ul style="list-style-type: none"> <li>The Council should ensure that, as the base data becomes available, additional performance indicators are put in place against which to monitor performance of the waste contract.</li> </ul>	Medium	As the data becomes available following the insourcing, this will be used to update the indicators used for performance management of the waste and recycling service	Lynn Bishop November 2014
3.	<ul style="list-style-type: none"> <li>The Council should consider adding the recovery levels of parking notice debt to the KPIs monitored as part of the parking contract with NSL.</li> </ul>	Medium	The Council will review the appropriateness of all KPIs within the NSL contract	Claire Symonds November 2014

## Appendix B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

**The final wording for the audit opinion has yet to be made available by the Audit Commission. Once confirmed the draft wording will be circulated to members of the Audit Committee.**

## Appendix C: Draft letter of representation

- We have included a draft of the letter of representation requested from the Council's management below. We request a letter of representation containing standard representations from all our local government clients.
- We have requested, representations from management in respect of the adequacy of the judgments and significant estimated made by management in preparing the financial statements, the completeness of information provided to audit by management, and the completeness of the financial statements themselves and management's awareness of fraud, control weaknesses or other irregularities that could materially affect the position reported in the Council's financial statements.

### **London Borough of Barnet and London Borough of Barnet Pension Fund**

#### **Financial Statements for the year ended 31 March 2014**

This representation letter is provided in connection with the audit of the financial statements of London Borough of Barnet for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii. We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v. We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

## Appendix C: Draft letter of representation (continued)

- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).
- vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.
- ix The financial statements are free of material misstatements, including omissions.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xii We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xiii We have communicated to you all deficiencies in internal control of which management is aware.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.

## Appendix C: Draft letter of representation (continued)

- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xx We have provided you with the most recent agreements between the Council and the Barnet Group, Barnet Homes and Your Choice Barnet setting out indemnities provided by the Council, on which the Council has based its accounting treatment for pension costs in the financial statements.

### Annual Governance Statement

- xxi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

### Approval

The approval of this letter of representation by the management signatories below was minuted at the Council's Audit Committee meeting on 22 July 2014.

### Signed



# DRAFT



© 2014 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**