



The Annual Audit Letter for London Borough of Barnet

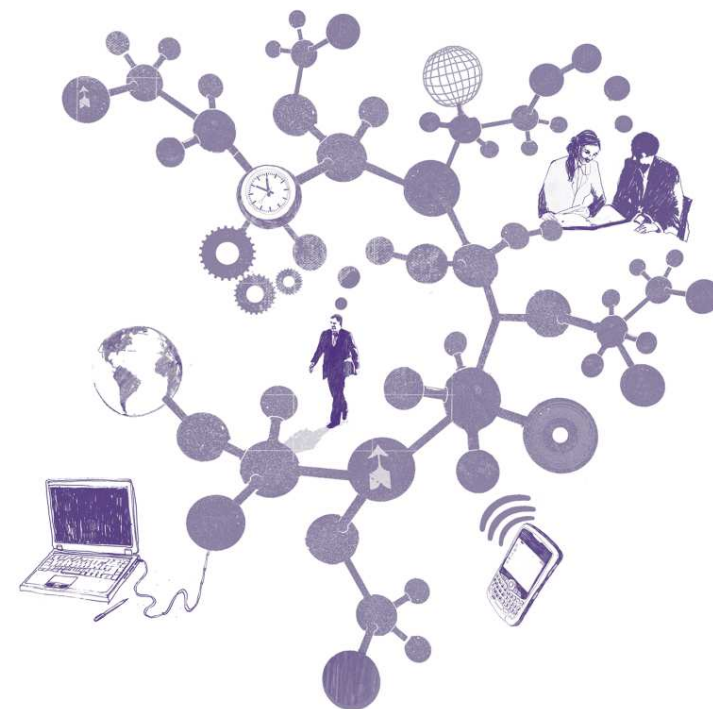
Year ended 31 March 2015

October 2015

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at London Borough of Barnet ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. 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 13 April 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 30 July 2015 to the Audit Committee. The key messages reported were:

- Following discussions with the finance team at the Council, it was agreed that group financial statements would be produced. This was on the basis of revised technical guidance in relation to materiality, alongside the increasing complexity within the group structure that the Council anticipates in future years.
- As in the prior year, our review of asset valuations identified that the Council has a different interpretation of the 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 highlighted this difference in interpretation, we were satisfied that any difference in valuation as a result of the different interpretations is unlikely to be material.
- Following updates to the Code there were changes to the requirements around the recognition of school land and buildings on local authority balance sheets. The Council completed a review of all schools which confirmed that the existing accounting treatment remained appropriate. Our review of the work performed by the Council did not identify any issues with its approach.
- The Council has introduced a new ledger system from 1 April 2014 following the move from SAP to Integra which is hosted by Capita. Our IT experts completed a review of the controls in place over the system with no significant issues being identified. In addition, we completed a line by line reconciliation to ensure that the closing trial balance per the SAP system agreed to the opening trial balance per the Integra system. No issues were noted as part of this review.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 29 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Key messages continued

Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2014/15 on 29 September 2015.</p> <p>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 2015.</p> <p>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 new financial risks as they emerge.</p>
Whole of Government Accounts	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p>
Certification of housing benefit grant claim	<p>We are currently in the process of certifying the Council's 2014/15 Housing Benefit Subsidy claim. Initial certification of the 60 cases has resulted in the requirement to complete 40+ testing. Once our certification of the claim is complete we will report in full on the findings of our work to the Audit Committee.</p>
Audit fee	<p>Our planned fee for 2014/15 was set out in the Audit Plan as £226,700, excluding VAT, which was in line with our fee in the previous year. Further detail (including the certification fee) is included within Appendix B.</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	Journal authorisation: The Council should include a requirement for all journals to be authorised on Integra in order to ensure a clearly documented journal approval on the system	Medium	Agreed Responsible officer: Paul Thorogood Due date: September 2015
2.	IT controls: The Council should ensure that the points raised in relation to the Integra system are resolved going forward	Medium	Agreed Responsible officer: Andrew Gee Due date: January 2016

Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

Fees for audit services

	Per Audit plan £	Actual fees £
Council Audit Fee	226,700	226,700
Grant certification fee (i)	27,080	TBC
Total audit fees	253,780	TBC

(i) Certification of grant claims and returns is on-going, so this remains a work in progress at the date of this letter. Based on the work completed to date, we expect our fees to be in line with the scale fee above. Confirmation of the final fee will be included within the separate Certification Report later in the year

Reports issued

Report	Date issued
Audit Plan	April 2015
Audit Findings Report (AFR)	July 2015
VfM – Financial Resilience Report (included within the AFR)	July 2015
Certification Report (on completion of certification work)	December 2015
Annual Audit Letter	October 2015

Fees for other services

Service	Fees (£)
Audit related services	
Certification of the Teachers' Pensions claim (1314)	4,829
We have agreed with the Council to complete the certification work on the following claims. This work is yet to be completed, but indicative fees have been included below.	
- Teacher's Pensions certification	5,000
- Pooling of Housing Capital Receipts certification	2,750
Non-audit related services	
None	



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