
Meeting	Audit Committee
Date	21 June 2012
Subject	Accounts Audit Approach Memorandum
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	This report advises the Committee of Grant Thornton's audit approach and provides an update on results of interim audit work to date

Officer Contributors	Maria G. Christofi – Assistant Director, Financial Services Catherine Peters – Head of Finance, Closing & Monitoring
Status (public or exempt)	Public
Wards Affected	Not applicable
For decision by	Audit Committee
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A – Grant Thornton's Accounts Audit Approach Memorandum
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1. RECOMMENDATIONS

- 1.1 That Grant Thornton's Accounts Approach Memorandum be noted.
- 1.2 That the Committee consider whether there are any areas on which they require additional information or action.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Grant Thornton's Accounts Approach Memorandum for 2010/11 was noted at the Audit Committee of 16 June 2011.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The audit approach memorandum provides additional detail regarding the audit approach, as set out in the Audit Plan 2011/12. The audit plan assesses fundamental aspects of financial standing and performance management in Barnet, which relates to the council's 'Better Services with Less Money' corporate priority.

4. RISK MANAGEMENT ISSUES

- 4.1 The audit approach memorandum provides an update on accounts audit risk assessment. If these risks are not taken into consideration it carries the risk of adverse financial and / or reputational consequences.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The audit approach memorandum covers the inspection and assessment of all services within the authority which, in turn, impact on all members of the community.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 This report sets out the framework for the assessment of the Council's financial reporting, management and standing, as well as value for money.

7. LEGAL ISSUES

- 7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "To consider the external auditor's annual letter" and "To comment on the scope and depth of external audit work and to ensure it gives value for money".

9. BACKGROUND INFORMATION

- 9.1 The Accounts Audit Approach Memorandum intends to provide additional detail regarding Grant Thornton's audit approach, as set out in their Audit Plan

2011/12, as well as an update on their response to key risks from the results of interim audit work carried out to date.

9.2 Grant Thornton's audit strategy comprises of:

Planning:

- Updating their understanding of the council through discussions with management and a review of in year internal financial reporting;
- Identifying and resolving specific accounting treatment actions

Controls Evaluation:

- Reviewing the design, effectiveness and implementation of internal financial controls;
- Assessing audit risk and developing and implementing an appropriate audit strategy;
- Testing the operating effectiveness of selected controls;
- Assessing the council's arrangements for complying with tax legislation and Bribery Act requirements;
- Assessing the effectiveness of internal audit

Substantive Procedures:

- Reviewing material disclosure issues in the financial statement;
- Performing analytical review;
- Verifying all material income and expenditure and balance sheet accounts

Completion:

- Performing overall evaluation of their work on the financial statements to determine whether they give a true and fair view;
- Determining an audit opinion;
- Reporting to the Audit Committee through their ISA 260 report and Annual Audit Letter

9.3 Grant Thornton will consider an item to be material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true or fair view.

9.4 Grant Thornton will work with internal audit to ensure the audit approach takes account of the risks identified and the work they have conducted, subject to our review of the effectiveness of internal audit.

9.5 IT, outsourced systems and internal controls will also be reviewed as part of the audit.

9.6 The Audit Approach Memorandum includes as part of its planning and control evaluation an update on audit risks identified for 2011/12, outcome of work completed to date and further work planned.

9.7 As part of the interim audit, and in advance of the final accounts audit, Grant Thornton considered:

- The effectiveness of internal audit
- Internal audit's work on the council's key financial systems
- Journal entry controls

- Walkthrough testing to confirm whether controls are implemented as per their understanding in areas where they have identified significant accounting assertion risk
 - Review of information technology controls
- 9.8 Grant Thornton have reviewed the work of internal audit and concluded that internal audit continues to provide an independent and effective service to the council and that they can take assurance from their work in contributing to an effective internal control environment at the council.
- 9.9 No significant issues were noted where walkthrough testing was completed as planned and in-year internal controls were observed to have been implemented in accordance with Grant Thornton's documented understanding.
- 9.10 Grant Thornton's information systems specialist has performed a high level review of the internal controls system. This has concluded that, from the work undertaken to date, there are no material weaknesses which are likely to adversely impact on the council's financial statements.
- 9.11 Grant Thornton have reviewed the council's journal entry policies and procedures as part of determining their journal entry testing strategy and have not identified any weaknesses which are likely to adversely impact on the Council's control environment or financial statements. To date they have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that require to be reported.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Cleared by Finance (Officer's initials)	MC
Cleared by Legal (Officer's initials)	TE