
Meeting	Audit Committee
Date	13 September 2012
Subject	External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2011/12
Report of	Deputy Chief Executive and Chief Finance Officer
Summary	To consider the detailed reports from the external auditor on matters arising from the audit of the 2011/12 accounts. This includes the pension fund accounts.

Officer Contributors	Maria Christofi, Assistant Director Financial Services Catherine Peters, Head of Finance SAP Systems, Closing & Compliance Antony Russell, Finance Manager, Closing & Monitoring
Status (public or exempt)	Public
Wards Affected	Not applicable
Key Decision	No
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix A – ISA 260 report 2011/12 Appendix B – Audited Statement of Accounts 2011/12
Contact for Further Information:	Antony Russell, Finance Manager, 020 8359 7862

1. RECOMMENDATIONS

- 1.1 That the Committee approve the audited Statement of Accounts 2011/12 and they be signed by the Chairman as having been approved.**
- 1.2 That the matters raised by the external auditor relating to detailed aspects of the 2011/12 accounts audit, including the pension fund accounts, be noted.**
- 1.3 That the officer response to matters raised by the external auditor be noted.**
- 1.4 That the Committee consider whether there are any areas on which they require additional information or action.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The un-audited Statement of Accounts for 2011/12 were noted, subject to audit, by the Audit Committee on 21 June 2012.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

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

4. RISK MANAGEMENT ISSUES

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

5. EQUALITIES AND DIVERSITY ISSUES

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

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

- 6.1 The Statement of Accounts shows the financial position of the council as at 31 March 2012.

7. LEGAL ISSUES

- 7.1 Section 151 Local Government Act 1972- "...every local authority shall make arrangements for the proper administration of their financial affairs..."

- 7.2 The Council is a public authority that is subject to the audit of its annual accounts by an external auditor appointed by the Audit Commission, under the provisions of the Audit Commission Act 1998.

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

- 9.1 In accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts.

- 9.2 The ISA 260 report has to be considered by "those charged with governance" before the external auditor can sign the accounts, which legally has to be done by 30 September 2012.

- 9.3 Grant Thornton were presented with the draft financial statements on 31 May 2012 and accompanying working papers on 11 June 2012. This is a month earlier than most councils and Grant Thornton recognise the significant effort by the council's finance team in achieving this. Grant Thornton also recognise that the working papers were of a high quality and the financial statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code), based on International Financial Reporting Standards (IFRS).

- 9.4 Grant Thornton identified ten adjustments that did not impact on the general fund balance, but that did have an impact on the council's comprehensive income and expenditure statement and balance sheet.

- 9.5 The key messages arising from the audit of the financial statements are:

- The detailed audit testing of the financial statements provided assurance that the published results are in line with the council activities during the year.
- Assurance was gained that all provisions had appropriate supporting evidence and were in accordance with the requirements of the code.
- The HRA settlement is disclosed in accordance with Code requirements and the accounting for the associated loan is appropriate.
- Satisfactory assurance was gained over the accuracy of payroll information and classification in the accounts, and over salary disclosures in the accounts.

- Satisfactory assurance has been gained over the accounting for capital transactions.
- The approach taken to identifying, valuing and disclosing heritage assets was satisfactory.
- Satisfactory assurance was gained that the assumptions within the valuation approach are reasonable and supported by appropriate evidence.

9.6 Grant Thornton anticipates providing an unqualified opinion on the Council's financial statements.

9.7 In providing the opinion on the financial statements, Grant Thornton are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion). Grant Thornton expect to present an unqualified Value for Money Conclusion.

9.8 The ISA 260 report contains matters raised by the auditor, their recommendations on the issues, and the management response. Any further update on these items will be given verbally at the meeting. To assist Members in reviewing the external auditor's comments the audited Statement of Accounts 2011/12 are attached for information.

10. LIST OF BACKGROUND PAPERS

10.1 None.

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