

London Borough of Barnet

Annual Audit Letter 2011/12

16 October 2012

Introduction

Purpose of this letter

This Annual Audit Letter ('Letter') summarises the key issues arising from the work that we have carried out at the London Borough of Barnet ('the Council') during our 2011/12 audit.

The Letter is designed to provide a brief overview of our key messages to the Council and external stakeholders, including members of the public.

The letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

What this Letter covers

This Letter covers our 2011/12 audit, including key messages and conclusions from our work in:

- auditing the 2011/12 year end accounts
- assessing the Council's arrangements for securing economy, efficiency and effectiveness to ensure Value for Money is achieved
- certification of grant claims and returns to various government departments and other agencies.

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).

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.

Key messages

Accounts audit

We were presented with draft financial statements on 31 May 2012 and accompanying working papers on 11 June 2012. This is a month earlier than most Councils and we recognise the significant effort by the Council's finance team in achieving this.

The financial statements and working papers were of a high quality and co-operation in dealing with audit issues was strong, such that we are in a position to issue our report to those charged with governance in draft, based on a substantially complete accounts audit, on 18 July 2012.

We issued an unqualified audit opinion on 13 September 2012, ahead of the statutory deadline.

We recommended a number of adjustments to the draft accounts. Management agreed to make these adjustments which did not result in any change in the Council's General Fund balance.

We identified a small number of areas where improvements could be made to the processes in place to prepare the accounts. The actions agreed with the Council to minimise the chance of errors occurring in the 2012/13 accounts were included in our report and we will follow up on progress as part of our 2012/13 audit.

Our main audit conclusions for the year

The 2011/12 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.

The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

We concluded that the Annual Governance Statement (AGS) was consistent with our knowledge of the Council and were pleased to note the approach that the Council is taking to fundamentally review the AGS to move beyond compliance and make it as understandable and useful as possible to readers.

The Explanatory Foreword was also consistent with our knowledge of the Council, subject to a small number of proposed adjustments, which management incorporated into the final version of the document.

The Council submitted its draft Whole of Government Accounts (WGA) pack for audit by the Department for Communities & Local Government (CLG) deadline of 30 July. We were able to submit the audited WGA to the CLG by the deadline of 30 September based on there being no significant issues with the quality of the information contained in the pack.

We received questions from local government electors on the accounts and considered the points raised, as required under the Audit Commission Act 1998, and included our response and conclusions in our report. We also received one objection to the accounts which has now been resolved, allowing us to certify the audit as complete on 4 October 2012.

In 2012/13 we will discuss future accounting challenges with the Council, including planning for changes to financial reporting requirements, for example, around accounting treatment of schools and of leased assets.

Key messages (continued)

Value for Money audit

An unqualified Value for Money ('VFM') conclusion was also issued on 13 September 2012 confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

As part of this work we reviewed the Council's arrangements for securing financial resilience over the medium term. Our overall conclusion was that whilst the Council faces significant financial challenges in 2012/13 and beyond, its current arrangements for achieving financial resilience are robust.

We also conducted targeted work to ensure that the Council prioritised its resources to take into account budget constraints and whether it delivers value for money in its priority service areas. This work included:

- updating our assessment of key risk indicators
- following up our prior year work on scrutiny arrangements
- review of the new performance management arrangements
- review of governance arrangements for transformation projects.

For each of these areas, we concluded that the Council's arrangements were adequate and, through our reporting, provided feedback and recommendations for the Council to further develop arrangements.

We will continue to review arrangements for securing VFM, focusing on key risk areas, as part of our 2012/13 audit.

Certification of claims and returns

Each year we review and certify a number of grant claims and returns in accordance with the arrangements put in place by the Audit Commission. Following the completion of the 2010/11 certification work we reported early in 2012 that performance had generally improved against key measures but identified that the Council should work to reduce the number of claims requiring amendment.

We are currently in the process of certifying the 2011/12 grant claims and returns. Once this work is complete we will report in full on the findings of our work in a separate report to the Audit Committee.

Outputs and fees

Our audit outputs and fees are shown in Appendices A and B.

Acknowledgements

This Letter has been agreed with Council management and will be presented to Audit Committee on 10 December 2012.

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

Grant Thornton UK LLP

16 October 2012

Appendices

A. 2011/12 reports issued

Report	Date Issued
Audit Plan	December 2011
Grants Certification Plan 2011/12	June 2012
Audit Approach Memorandum (Accounts)	June 2012
Annual Report to Those Charged With Governance (ISA 260)	September 2012
Annual Audit Letter	October 2012
Grants Certification Report 2011/12	December 2012 (planned)

B. Audit and other fees 2011/12

Audit area	Budget 2011/12	Actual 2011/12
Total Code of Practice fee	£373,500	£373,500
Certification of grant claims and returns*	£85,000	To be confirmed on completion of work and reported in Grants Certification Report 2011/12
Questions and objections from the public**	£nil	£30,400

* The quoted fee for grant certification work is an estimate only and is charged at published hourly rates.

** Work on dealing with questions and objections from the public is not budgeted for and is charged at hourly rates based on Audit Commission guidance



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