

	<h2>Audit Committee</h2> <h3>30th January 2017</h3>
<p style="text-align: right;">Title</p>	<p>External Auditor Progress Report</p>
<p style="text-align: right;">Report of</p>	<p>Interim Chief Executive and Section 151 Officer</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A – BDO Audit Progress Report</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Gillian Clelland – Assistant Director, CSG Finance Service Gillian.clelland@barnet.gov.uk</p>

Summary

BDO are the Council's appointed external auditors for the 2015/16 financial year. This report provides a summary of the key issues and progress in completing all audit work relevant to the 2015/16 financial year.

Appendix A to this report provides a progress report from BDO on their progress of external audit activities for 2015/16. The report confirms that all work has been completed, other than concluding on matters raised by members of the public regarding the lawfulness of transactions in the financial statements. Upon completion of these legal reviews, BDO will issue the audit certificate to close the audit for 2015/16.

BDO has highlighted concerns with regard to the following areas:

- Controls over pension fund accounting and the preparation of the pension fund financial statements
- Preparing the annual return on teachers' pension deductions paid to Teachers' Pension.

Recommendations

- 1. That the Committee note the content of Appendix A;**
- 2. That the Committee refer any matters relating to the pension fund to the Pension Fund Committee.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Council's external auditors have unrestricted access to those charged with governance which is the Audit Committee for the Council and the Pension Fund Committee for the Barnet Pension Fund.
- 1.2 Quarterly updates on audit progress are provided to the Audit Committee by the external auditors to highlight progress, concerns, issues and risks.

2. REASONS FOR RECOMMENDATIONS

- 2.1 None.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None.

4. POST DECISION IMPLEMENTATION

- 4.1 None.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The audit progress report allows risks to the external audit process to be highlighted, which could highlight key performance issues and achievement of the Council objectives. Those areas of weakness must be addressed over the coming year; failure to do so carries the risk of adverse financial and/or reputational consequences. This supports the Council's corporate priorities as expressed through the Corporate Plan.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 This report deals with the audit of the Council's accounts, financial performance, value for money and financial resilience and highlights any potential concerns before the final audit on the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

5.3 Legal and Constitutional References

5.3.1 International Standards on Auditing allow the external auditors access to those charged with governance. The Council produces its financial statements in line with the standards.

5.3.2 The Council's Constitution, Responsibility for Functions - 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" and "to comment on the scope and depth of external audit work and to ensure it gives value for money". The functions of the Pension Fund Committee include considering actuarial valuations and their impact on the Pension Fund.

5.4 Risk Management

5.4.1 Progress reports over the course of the year highlight areas of good control and areas of weakness which need to be addressed by the Council. Failure to do so carries the risk of adverse financial and/or reputational consequences.

5.5 Equalities and Diversity

5.5.1 There are no matter of equalities and diversity arising from the content of this report.

5.6 Consultation and Engagement

There are no consultations or engagements relevant to this report.

6. BACKGROUND PAPERS

6.1 None

REPORT CLEARANCE CHECKLIST

(Removed prior to publication and retained by Governance Service)

Report authors should engage with their Governance Champion early in the report writing process and record the date below. If the decision/report has been reviewed at an internal board please record the date and name of the meeting (e.g. SCB). Otherwise enter N/A. All reports must be cleared by the appropriate Director/AD, Legal, Finance and Governance as a minimum. **Legal, Finance and Governance require a minimum of 5 working days to provide report clearance. Clearance cannot be guaranteed for reports submitted outside of this time.**

AUTHOR TO COMPLETE TABLE BELOW:

Who	Clearance Date	Name
Committee Chairman	NA	NA

Governance Champion	NA	NA
Director / AD / Lead Commissioner	NA	NA
Enabling Board / Delivery Board	NA	NA
Commissioning and Policy	NA	NA
Equalities & Diversity	NA	NA
HR Business Director	NA	NA
Strategic Procurement	NA	NA
HB Public Law		Jessica Farmer
Finance		Patricia Phillipson
Governance		Kirsten Lambert



LONDON BOROUGH OF BARNET

Audit Progress Report - 2015/16

January 2017

INTRODUCTION

Background

This report is intended to provide the Audit Committee with a summary of all work completed in respect of the 2015/16 financial year.

The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act:

Audit of the financial statements

- to be satisfied that the accounts present a true and fair view, and comply with the requirements of the enactments that apply to them
- to be satisfied that proper practices have been observed in the preparation of the accounts

Value for money arrangements

- to be satisfied that the organisation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

Reporting

- to issue an audit plan that sets out how the auditor intends to carry out their duties
- to report the findings of the audit to those charged with governance
- to express an opinion on the accounts
- to form an opinion on the organisation's arrangements to secure economy, efficiency and effectiveness in the use of resources
- to issue a statement on the consolidation schedules produced for the purposes of preparing Whole of Government accounts (whether these are consistent with the financial statements)
- to certify the completion of the audit
- to issue an annual audit letter highlighting the results of the auditor's work.




Certification work

- to certify the authority's Housing Benefit Subsidy claim form in accordance with instructions issued by PSAA.






We also perform certification work on the Pooling of Housing Capital Receipts and Teachers' Pension returns outside of the PSAA appointment.

Conclusions



We have included as a 'RAG' conclusion for all work completed in the report.

ASSESSMENT		EXPLANATION
RED		Expected modification of audit report or opinion.
AMBER		Some concerns over governance or finance.
GREEN		No issues to report




AUDIT PROGRESS


AUDIT AREA	SCOPE	PROGRESS	ISSUES TO NOTE	RAG
PLANNING				
Planning letter	We are required to provide you with a planning letter setting out the scope of the audit for the year and the proposed fees set by Public Sector Audit Appointments Limited (PSAA).	Planning letters were issued for the Council's accounts and the pension fund.	No significant issues to bring to your attention.	
Audit plan	We are required to report to you the results of our audit planning, our risk assessment and the proposed audit response to significant audit risks ahead of commencement of the audit work.	Audit Plans were issued for the Council's accounts and the pension fund, and received by the respective committees on 19 April and 15 March 2016.	No significant issues to bring to your attention.	
FINANCIAL STATEMENTS				
Review of internal controls	Review of the significant financial systems that support the financial statements.	Interim reviews were undertaken in January and February 2016.	No significant issues to bring to your attention.	
Financial statements - Council's accounts	Audit of the financial statements to determine whether these give a true and fair view of the Council's financial position as at 31 March 2016 and the income and expenditure for the year.	Findings reported to Audit Committee 28 July 2016. True and fair opinion dated 30 September 2016.	No significant issues to bring to your attention.	
Financial statements - pension fund	Audit of the draft financial statements to determine whether these give a true and fair view of the pension fund financial position as at 31 March 2016 and the income and expenditure for the year.	Findings reported to Pension Fund Committee 13 September 2016. True and fair opinion dated 30 September 2016.	We identified a number of material errors in the draft financial statements relating to income due (for accrued contributions from employers incorrectly accounted for on a cash basis) and expenditure (for amounts payable) that were also found to have existed in recent years. Improvements are required in processing controls and year end arrangements for producing the pension fund financial statements.	

AUDIT PROGRESS

AUDIT AREA	SCOPE	PROGRESS	ISSUES TO NOTE	RAG
Whole of government accounts	We are required to provide assurance to the NAO to confirm the completeness and accuracy of the consolidation schedules prepared for Whole of Government Accounts purposes.	WGA assurance statement provided to NAO on 1 November 2016.	No significant issues to bring to your attention.	
USE OF RESOURCES				
Review of arrangements to secure economy, efficiency and effectiveness	We are required to be satisfied that the organisation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.	Findings reported to Audit Committee 28 July 2016. True and fair opinion dated 30 September 2016.	No significant issues to bring to your attention.	
QUESTION AND OBJECTIONS				
Exercise of auditor powers	<p>Members of the public may question the auditor and object to the lawfulness of items of account.</p> <p>We received questions from members of the public or other stakeholders in respect of:</p> <ul style="list-style-type: none"> Lender Option Borrower Option (LOBO) loans Abbot Depot land purchase <p>Objections to the lawfulness of items in the accounts were received in respect of:</p> <ul style="list-style-type: none"> Victoria Park Lodge sale Penalty Charge Notice income (basis of accounting) Parking charges on housing land 	<p>We have completed our review of LOBO loans and the acquisition of the Abbot Depot site, and are not minded to challenge the decisions taken by the Council or the lawfulness of these transactions.</p> <p>We have completed our review of the PCN income (basis of accounting) objection and concluded that the Council is accounting for this income appropriately.</p> <p>Work on the objection to the Victoria Park Lodge sale and parking charges on housing land remains in progress.</p>	Upon completion of the work, we will issue a statement of reasons to the objector summarising our findings and what, if any, further action we intend to take.	TBC

AUDIT PROGRESS

AUDIT AREA	SCOPE	PROGRESS	ISSUES TO NOTE	RAG
REPORTING				
Audit certificate	To certify the completion of the audit at the point that the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.	Note that the audit certificate can be issued only following the conclusion and reporting on all objections (see above).	The audit certificate will remain open until the objections work has been completed.	TBC
Annual audit letter	Public-facing summary of our audit work and key conclusions for the year.	Annual Audit Letter issued on 31 October 2016.	Summary of the issues noted above.	---
CERTIFICATION WORK				
Housing benefit subsidy claim	The scope of our certification is determined by PSAA, in consultation with the Department for Work and Pensions (DWP) to whom we report.	The return was certified on 19 December 2016.	No significant issues to bring to your attention.	
Teachers' pension return	The scope of this work is determined by the Department for Education (DfE).	The return was certified on 30 November 2016.	We found that the Council had not been including information for all schools under its control and was unable to provide supporting evidence of amounts paid over to Teachers' Pensions.	
Pooling of Housing Capital Receipts return	The scope of this work is determined by the Department for Communities and Local Government (DCLG).	The return was certified on 29 November 2016.	No significant issues to bring to your attention.	
Grants report	Summary of our certification work for the year.	Grants report issued 9 January 2017.	Summary of the issues noted above.	---



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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