

	<h2>Audit Committee</h2> <h3>19 September 2017</h3>
Title	Statement of Accounts, External Auditor's Audit Completion Report and Annual Governance Statement for the year 2016/17
Report of	Director of Resources - Statutory 151 Officer
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Audit Completion Report Appendix B – Statement of Accounts 2016/17 Appendix C – Annual Governance Statement
Officer Contact Details	Gillian Clelland – Assistant Director of Finance, CSG Gillian.Clelland@barnet.gov.uk 020 8359 5310

Summary

The external audit of the Council's Statement of Accounts is undertaken by BDO whose findings are reported in the Audit Completion Report at Appendix A. BDO anticipate providing an unmodified opinion on the Council's financial statements, subject to the clearance of the outstanding matters on page 5 of the Audit Completion Report.

BDO were presented with the draft financial statements on 31 May 2017 and accompanying working papers on 5 June 2017. The accounts are required to be approved and published by 30 September 2017.

BDO identified one adjustment which impacts on the Council's net assets and reserves as at 31 March 2017. This relates to the pension scheme liability which in the first draft accounts was calculated based on estimated asset values. The actuary provided an updated calculation based on actual asset values, which increased the liability by £82.348m. An equivalent adjustment has been made in respect of the Barnet Group's pension liability which resulted in the Group net assets and reserves as at 31 March 2017 reducing by £89.295m. The accounts have been adjusted for both of these changes.

There were no misstatements that impacted on the Council or Group surplus on the provision of services. The auditors did, however, identify a significant number of reclassifications and disclosure changes, the majority of which have been corrected in the accounts presented for approval. There are some additional misstatements which remain unadjusted on the basis of materiality or because the values are projected.

In providing the opinion on the financial statements, BDO 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 audit concluded that the Council has adequate arrangements in place for setting and monitoring financial budgets and that it has clearly identified its funding gaps and savings requirements through to 2020. The auditors are also satisfied that the Council has adequate arrangements in place for managing key contracts, although they have made recommendations to further strengthen these arrangements. However, as a result of the Ofsted inspection rating the Council's Children's services as inadequate, the use of resources conclusion will be modified.

The council is required to produce an Annual Governance Statement (AGS), which is a statutory reported public statement, and will be included within the statement of accounts for 2016/17. The Annual Governance Statement summarises the key processes the council uses to deliver systems of control, governance and assurance across its functions. The role of the Audit Committee is to oversee the production of the authority's Annual Governance Statement and to recommend its adoption.

The Annual Governance Statement was approved for inclusion within the Statement of Accounts at Audit Committee in July 2017, however in order for completeness it is re-presented to Audit Committee for noting.

Recommendations

- 1. That the Committee approve the Statement of Accounts for 2016/17 and recommend that they be signed by the Chairman and the Director of Resources (Statutory 151 Officer) on behalf of the Council.**
- 2. That the matters raised by the external auditor relating to detailed aspects of the 2016/17 accounts audit be noted.**
- 3. That the management responses to recommendations made by the external auditor be noted.**
- 4. That the Annual Governance Statement 2016/17 be noted.**

1. WHY THIS REPORT IS NEEDED

- 1.1 Under Section 151 Local Government Act 1972- "...every local authority shall make arrangements for the proper administration of their financial affairs". Additionally, 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.
- 1.2 Part 2 Section 6 of the Accounts and Audit Regulations 2015 requires a local authority to conduct a review at least once a year of the effectiveness

of its system of internal control and publish an Annual Governance Statement each year with the authority's financial statements.

2. REASONS FOR RECOMMENDATIONS

- 2.1 In order that the Council can meet its legal obligation to produce audited financial statements.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None

4. POST DECISION IMPLEMENTATION

- 4.1 The governance issues identified within the Annual Governance Statement will be monitored throughout the year.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 Review of reports made under International Standard on Auditing (ISA) 260 are an integral part of corporate governance. This is in line with Barnet's Corporate Plan 2015-20 – to make sure Barnet is a place “where services are delivered efficiently to get value for the taxpayer”.

- 5.1.2 Barnet Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.

- 5.1.3 Barnet Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework delivering Good Governance in Local Government. This statement explains how the Council has complied with the Code and also meets the requirements of Part 2 Section 6 of the Accounts and Audit Regulations 2015 in relation to the publication of a statement of internal control.

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

- 5.2.1 The Statement of Accounts shows the financial position of the council as at 31 March 2017.

5.3 Legal and Constitutional References

- 5.3.1 Section 151 of the Local Government Act 1972 requires that “...every local authority shall make arrangements for the proper administration of their financial affairs”.

- 5.3.2 The Council is a public authority that is subject to the audit of its annual accounts by an external auditor. The Local Audit and Accountability Act 2014, Part 5 specifies the conduct of local audit.
- 5.3.3 Section 9 of the Accounts and Audit Regulations 2015 requires that the statement of accounts must be considered by a committee or full council and approved by a resolution of that body. The accounts must then be signed by the person presiding at the meeting. The Section 151 officer must then re-confirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the authority and its income and expenditure for that year.
- 5.3.4 The 2015 Regulations also require that the accounts are published by 30 September 2017. From next year the requirement is for publication by 31 July each year, two months earlier than the current statutory deadline.
- 5.3.5 International Standard on Auditing (UK and Ireland) 260 deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. A link to the website containing ISA 260 can be found at [https://www.frc.org.uk/getattachment/0240d0ea-d80f-4191-bf26-e29f98093cda/ISA-\(UK\)-260-Revised-June-2016_final.pdf](https://www.frc.org.uk/getattachment/0240d0ea-d80f-4191-bf26-e29f98093cda/ISA-(UK)-260-Revised-June-2016_final.pdf).

The Council's Constitution, Part 15 - Responsibility for Functions, Annex A details the functions of the Audit Committee and include "To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council" and "To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts" and 'to oversee the production of the authority's Annual Governance Statement and to recommend its adoption'.

5.4 **Risk Management**

- 5.4.1 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.
- 5.4.2 There are no key risks relating to the production, audit or publishing of the Statement of Accounts identified in the service risk register.
- 5.4.3 The Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achievement of London Borough of Barnet policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

5.4.4 The Annual Governance Statement is a process of identifying governance issues and suggesting key actions to mitigate potential risks to the Council. These are then monitored throughout the year until resolution.

5.5 Equalities and Diversity

5.5.1 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.

5.6 Consultation and Engagement

N/A

6. BACKGROUND PAPERS

6.1 None