

	<h2>Audit Committee</h2> <h3>31<sup>st</sup> January 2018</h3>
<p style="text-align: center;"><b>Title</b></p>	<p><b>Annual Audit Letter 2016/17</b></p>
<p style="text-align: center;"><b>Report of</b></p>	<p>Director of Finance</p>
<p style="text-align: center;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: center;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: center;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: center;"><b>Key</b></p>	<p>No</p>
<p style="text-align: center;"><b>Enclosures</b></p>	<p>Appendix A – Annual Audit Letter 2016/17</p>
<p style="text-align: center;"><b>Officer Contact Details</b></p>	<p>Gillian Clelland – Assistant Director of Finance, CSG  <a href="mailto:gillian.clelland@barnet.gov.uk">gillian.clelland@barnet.gov.uk</a></p>

## Summary

The purpose of the Annual Audit Letter is to summarise the key issues identified by the Council’s external auditor, BDO LLP, during their audit and inspection activity. The letter is designed to communicate messages to the Council and external stakeholders, including members of the public.

This covering report extracts the key messages from within the Annual Audit Letter 2016/17, which is attached to this report at Appendix A and is published on the Council’s website at the following link:

<https://barnet.gov.uk/dam/jcr:1afd8214-7100-4000-b9ee-af70e5ecebbb/LB%20Barnet%20Annual%20Audit%20Letter%202016-17.PDF>

The following points are drawn to the attention of the Committee:

An unmodified (formerly known as unqualified) opinion on the Statement of Accounts for 2016/17 was given by the external auditors, confirming that the accounts give a true and fair view of the Council’s financial position as at 31 March 2017 and its income and expenditure for the 2016/17 financial year. An unmodified opinion was also given on the pension fund’s financial statements. The unmodified audit opinions were issued on the Council’s and

pension fund's financial statements on 29 September 2017 which was within the statutory deadline.

The audit of the Whole of Government Accounts also concluded that, following the reclassification of a number of balances and the inclusion of amounts against counterparties where balances or transactions had not been reported, the Whole of Government Accounts submission was consistent with the audited financial statements.

The auditors are also required to issue an audit opinion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditors concluded that they were satisfied that the Council has adequate arrangements for setting and monitoring financial budgets, and that it has clearly identified its funding gap and savings requirements through to 2020. However, as a result of the Ofsted inspection rating the Council's children's services as inadequate, the auditors were unable to conclude that the Council has adequate arrangements for the delivery of safe and effective services for children. A qualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources was therefore issued on 29 September 2017.

The external auditors have completed the 2016/17 grant claim audit. Further details on this are provided within the grant claims and returns certification report, considered elsewhere on the Committee agenda.

The auditors have not yet completed their work on objections and concerns raised by local electors in respect of both the 2015/16 and 2016/17 financial years and are not able to issue the audit certificates to close the audits for 2015/16 or 2016/17 until this is complete.

The audit fee for 2016/17 was £170,025 (2015/16: £170,025). The fee for certification of the housing benefits subsidy was £20,310 compared with £21,617 for 2015/16. The fee for the audit of the pension fund accounts was £21,000 (2015/16: £31,000). The auditors had to undertake additional audit work on the Council's and the pension fund's financial statements and the impact of this work on proposed fees is yet to be concluded.

In addition the Council has also commissioned the services of BDO to audit the following claims which require external auditor approval.

- Teachers' pensions return
- Pooling of housing capital receipts return

The charge for these additional services is £7,750 compared with £7,500 in 2015/16.

## **Recommendations**

- 1. That the external auditor's Annual Audit Letter for 2016/17 be received; and**
- 2. That the Committee consider whether there are any areas on which they require additional information.**

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The National Audit Office's Code of Audit Practice requires auditors to prepare an Annual Audit Letter and issue it to each audited body.
- 1.2 The purpose of preparing and issuing Annual Audit Letters is to communicate to the audited body and key external stakeholders, including members of the public, the key issues arising from auditors' work, which auditors consider should be brought to the attention of the audited body. The Annual Audit Letter covers the work carried out by auditors since the previous Annual Audit Letter was issued.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 In order that the Council can consider the external auditor's Annual Audit Letter, be able to comment on the scope and depth of external audit work and to ensure it gives value for money.

## **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 Annual Audit Letter summarises the key performance issues and achievements of the Council. 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 and 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. The external auditor provided an unmodified opinion with regard to the Council's financial statements and pension fund financial statements. A qualified conclusion was issued on the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.
- 5.2.2 The audit fee for 2016/17 was £170,025 (2015/16: £170,025). The fee for certification of the housing benefits subsidy was £20,310 compared with £21,617 for 2015/16. The fee for the audit of the pension fund accounts was

£21,000 (2015/16: £31,000). Additional services provided by the auditors totalled £7,750 and consisted of audit work on the Teachers' Pensions return and the pooling of housing capital receipts return.

### **5.3 Legal and Constitutional References**

5.3.1 Regulation 20 of the Accounts and Audit Regulations 2015 SI 2015/234 require that, as soon as reasonably practicable after receipt of the Annual Audit Letter from the auditor, a committee of the Authority must meet to consider it and, following that consideration, must:

- Publish (which must include publication on the authority's website) the annual audit letter received from the auditor; and
- Make copies available for purchase by any person on payment of such sum the Council may reasonably require. The Council does not currently charge for requested copies.

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"

### **5.4 Risk Management**

5.4.1 The external auditors scope their audit work on the financial statements by obtaining an understanding of the Council and pension fund and its environment, including the system of internal control, and assessing the risks of material misstatement in the financial statements. The audit of use of resources is scoped by the auditors' cumulative knowledge brought forward from previous audits, relevant findings from work undertaken in support of the opinion on the financial statements, reports from the Council including internal audit, information disclosed or available to support the governance statement and annual report, and information available from the risk registers and supporting arrangements.

The Annual Audit Letter sets out the risks that had the greatest effect on the audit strategy and how those risks were addressed by the audit and audit findings.

### **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