

	Audit Committee 17th July 2018
Title	Statement of Accounts and External Auditor's Audit Completion Report for the year 2017/18
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Draft Audit Completion Report Appendix B – Statement of Accounts 2017/18
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Summary

The external audit of the Council's Statement of Accounts is undertaken by BDO whose findings are reported in the draft 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 6 of the Audit Completion Report.

The draft financial statements were published on 31 May 2018 as required by the Accounts and Audit Regulations 2015. The accounts, including the Pension Fund accounts, are required to be approved and published by 31 July 2018. The external auditors have highlighted that there is a risk that the Pension Fund audit will not be complete by that date.

The audit identified one material disclosure misstatement, whereby both income and expenditure in the Comprehensive Income and Expenditure Statement (CIES) were understated by £23.210m due to the gain on investment properties being incorrectly netted off against expenditure. The financial statements have been amended and the amendment has no impact on the surplus on the provision of services for the year. A further audit difference was identified in respect of the return on pension scheme assets. Due to the timescale for preparation of the accounts it is necessary for the actuary to calculate this based on estimated quarter four returns. Actual returns are now available which differ from

the estimate and which result in the net pension liability being overstated by £1.851m. It is not proposed to adjust for this difference on the grounds of materiality. The audit also identified a small number of disclosure changes, which have been amended.

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 work in relation to the sustainability of the Council's finances and contract management and monitoring is ongoing and the auditor will provide a verbal update to the Committee. However, although there has been a positive direction of travel during the year in terms of improvements made to Children's Services, because of the Ofsted inspection rating the Council's Children's Services as inadequate, the auditors are unable to conclude that the Council has adequate arrangements for the delivery of safe and effective services for children's services and propose that the use of resources conclusion will be modified to reflect this.

Recommendations

- 1. That the Committee approve the Statement of Accounts for 2017/18 and recommend that they be signed by the Chairman and the Director of Finance (Statutory 151 Officer) on behalf of the Council.**
- 2. That the matters raised by the external auditor relating to detailed aspects of the 2017/18 accounts audit be noted.**

1. WHY THIS REPORT IS NEEDED

- 1.1 Under Section 151 of the 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.

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 None

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

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 – to make sure Barnet is a place "where services are delivered efficiently

to get value for the taxpayer”.

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 2018.

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 31 July 2018.

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).

5.3.6 Article 7 of the Council’s Constitution details the functions of the Audit Committee and include “To review and approve the annual statement of accounts and consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts”.

Risk Management

5.3.7 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.

5.3.8 There are no key risks relating to the production, audit or publishing of the Statement of Accounts identified in the Council’s risk register.

5.4 **Equalities and Diversity**

5.4.1 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.

5.5 Consultation and Engagement

N/A

6. BACKGROUND PAPERS

6.1 None