

	<h2 style="margin: 0;">Audit Committee</h2> <h3 style="margin: 0;">30th October 2019</h3>
Title	Final external auditors report 2018-19
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Final Audit Completion Report Appendix B – Summary of changes from the draft accounts – to follow
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Summary

This report summarises the outcome of the external audit of the Council's Statement of Accounts is undertaken by BDO LLP. The findings are reported in the final Audit Completion Report at Appendix A. On 16th July 2019, the Audit Committee considered and approved the 2018/19 statement of accounts based on the draft Audit Completion Report subject to the clearance of the outstanding matters referred to in the draft Audit Completion Report. However, the audit was not concluded on time due to delay with the completion of the audit work. The Council therefore published a notice on 31st July 2019 to confirm the accounts status.

BDO have now completed all outstanding investigations and issued an unmodified (formerly known as unqualified) opinion on the Statement of Accounts on the 30th of September 2019.

The draft financial statements were published on 30 May 2019 and distributed to the Audit Committee a day earlier than the date required by the Accounts and Audit Regulations 2015. The draft accounts can be found at the following link <https://www.barnet.gov.uk/your-council/finance-funding-and-pensions/statement-accounts>.

The final Statement of Accounts, including the Pension Fund accounts, were published on

1st October 2019.

The audit has identified the need for some amendments to the Core Statements and some Disclosure Notes. These will be reflected in the final published accounts. A List of these amendments is shown in Appendix B

The auditors have identified material and other misstatements that have been corrected by management. These corrections related principally to valuation of assets and did not impact on the General Fund or HRA balances. These misstatements increased expenditure for the Council by £29.768 million (Group £10.995 million) and amended the reported surplus of £6.635 to a deficit of £23.133 million (Group deficit £3.903 million)

There are nine unadjusted audit differences identified by the auditor's work which would further increase the deficit on the provision of services for the Council by £10.564 million to £33.697 million (Group deficit increased by £11.113 million to £15.016 million). Management has not corrected the financial statements for these misstatements.

Recommendations

- 1. That the Committee note the Statement of Accounts for 2018/19 and Summary of changes listed in appendix B.**
- 2. That the matters raised by the external auditor relating to detailed aspects of the 2018/19 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 Not applicable

4. POST DECISION IMPLEMENTATION

- 4.1 Not applicable

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*”. The Annual Statement of Accounts are the primary means by which the Council is held to account for the stewardship of its resources.

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 2019.

5.3 **Social Value**

5.3.1 None in the context of this decision

5.4 **Legal and Constitutional References**

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

5.4.2 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.

5.4.3 Part 3, paragraph 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.

5.4.4 The Accounts and Audit Regulations 2015 also require that the accounts are published by 31 July 2019. However, the audit was not concluded on time due to delay with the completion of the audit work. The Council therefore published a notice on 31st July 2019 to confirm the accounts status.

5.4.5 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).

5.4.6 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*”.

5.5 **Risk Management**

5.5.1 A positive external audit opinion on the council'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.

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

5.6 **Equalities and Diversity**

5.6.1 Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community, to reduce the differential impact of the services received by all of Barnet's diverse communities and to ensure compliance with the council's duties under the 2010 Equality Act.

5.7 **Corporate Parenting**

5.7.1 None in the context of this decision

5.8 **Consultation and Engagement**

5.8.1 None in the context of this decision

6. **BACKGROUND PAPERS**

6.1 None