



Audit Committee

19 October 2020

Title	External Auditor's Audit Completion Report for the year 2019/20
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Draft Audit Completion Report 2019/20 Appendix B – Summary of changes from the draft accounts
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Summary

The external audit of the council's Statement of Accounts is undertaken by BDO LLP 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 referred to in the Audit Completion Report.

The draft financial statements were published on 31st July 2020 and distributed to the Audit Committee a month earlier than the date required by the Accounts and Audit Regulations 2015. The draft accounts can be found at the following link:

http://www.barnet.gov.uk/sites/default/files/draft_19-20_statement_of_accounts_0_1.pdf.

The final accounts, including the Pension Fund accounts, are required to be approved and published by 30th November 2020.

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.

On 8th September 2020 the government published the results of an independent review into the effectiveness of local authority financial reporting and audit regimes in England, led by Sir Tony Redmond.

The review examined whether the reporting regimes are robust enough to spot early warning signs, such as risks from commercial investments, to protect public funds and better serve taxpayers.

The review recommends improvements in the way that councils communicate with taxpayers, to empower local people and improve transparency and accountability. This includes a simplified statement of costs, to allow taxpayers to measure performance against the council's achievements. The government are considering the findings and recommendations of the review.

Officers Recommendations

- 1. That the Committee approve the Statement of Accounts for 2019/20 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 2019/20 accounts audit be noted.**
- 3. That the Committee note the main recommendations from the Redmond review.**

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.
- 1.2 On 8th September 2020 the government published the results of an independent review into the effectiveness of local authority financial reporting and audit regimes in England, led by Sir Tony Redmond.
- 1.3 The review contained a number of recommendations, of particular interest to the council were:
 - A new regulatory body, "Office of Local Audit & Regulation (OLAR)" will manage and oversee local audit, specifically:
 - Procurement of local audit contracts;
 - Producing annual reports summarising state of local audit;
 - Management of local audit contracts;
 - Monitoring and review of local audit performance;
 - Determining the code of local audit practice and
 - Regulating the local audit sector.

- A review of existing governance arrangements within Local Authorities leading to an annual report to Full Council by external auditors, possibility of at least 1 independent, qualified member to Audit Committee and formal arrangements for the CEO, CFO (s151) and Monitoring Officer to meet with Audit Partner annually;
 - Revised fee structure for audit to ensure adequate resources to complete audits and facilities for OLAR to sanction audit firms where quality is below expected standards;
 - Revised deadlines for certifying audited accounts from 31 July to 30 Sept – reverting back to timescales from about 6-7 years ago;
 - A new disclosure in the accounts with standardise service and cost reporting against budget. Both the Segmental Reporting and the EFA statement were meant to improve the “understandability” of the accounts to the layperson; and
 - Requirement for external auditors to present an Annual Audit Report to the first Full Council meeting after 30 September. This is regardless of whether the accounts are certified. OLAR to clarify the details of this report.
- 1.4 The full report can be found via the hyperlink in the Background Papers section of this report.
- ## 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**
- 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 – 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 2020.
- 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 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.
- 5.4.4 The 2015 Regulations require that the accounts are published by 31 July 2020. These regulations were amended following the onset of the coronavirus pandemic and now require that the accounts are published no later than 30 November 2020.
- 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

5.8 Insight

5.8.1 None in the context of this decision

6. BACKGROUND PAPERS

Committee	Item & Agenda	Link
Audit Committee 14 July 2020	Item 11: Revised External Audit Plan 2019/20	https://barnet.moderngov.co.uk/documents/s59398/External%20Audit%20Plan%202019-20%20June%202020.pdf
Audit Committee 30 January 2020	Item 8: External Audit Plan 2019/20	https://barnet.moderngov.co.uk/documents/s57560/External%20Audit%20Plan%20201920.pdf
n/a	The Redmond Review	https://www.gov.uk/government/news/results-of-independent-review-into-quality-of-council-audits-published