

	<h2 style="margin: 0;">Audit Committee</h2> <h3 style="margin: 0;">28 January 2021</h3>
Title	Final External Auditor's Report for the year 2019/20
Report of	Director of Finance (Section 151 Officer)
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Final Audit Completion Report 2019/20 Appendix B – Summary of changes from the draft accounts
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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 19th October 2020, the Audit Committee considered and approved the 2019/20 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.

BDO have now completed all outstanding investigations and issued an unmodified (formerly known as unqualified) opinion on the Statement of Accounts on the 27 January 2021.

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 final Statement of Accounts, including the Pension Fund accounts, were published on 27 January 2021 here: [Statement of accounts | Barnet Council](#)

The audit has identified material and other misstatements to the Core Statements and Disclosure Notes that have been corrected by management and are reflected in the final published accounts. These adjustments increased the surplus on the provision of services for the Council by £41.5 million (to £148.356 million) and the Group surplus by £41.3 million (to £144.986 million). A List of these amendments is shown in Appendix B.

There are unadjusted audit differences identified by the auditor's work which would decrease the surplus on the provision of services for the Council by £1.684 million to £146.673 million (Group surplus decreased by £1.392 million to £143.594 million). Management has not corrected the financial statements for these misstatements.

On 17th December 2020, MHCLG (Ministry of Housing, Communities & Local Government) published its response to Redmond Review which was an independent review into the effectiveness of local authority financial reporting and audit regimes in England, led by Sir Tony Redmond.

The review examined the robustness of reporting regimes and recommended improvements in the way that councils communicate with taxpayers, to empower local people and improve transparency and accountability. This included a simplified statement of costs, to allow taxpayers to measure performance against the council's achievements.

Responses to the review recommendations of particular interest to the council are given in section 1.4-1.6.

Officers Recommendations

- 1. That the Committee note the Statement of Accounts for 2019/20 and Summary of changes listed in appendix B.**
- 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 government's response to 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. The review made 23 recommendations in relation to the

quality, timeliness and sustainability of local audit, and the transparency of local authority accounts.

1.3 MHCLG published its response to the review grouped into the following 5 themes:

- Action to support immediate market stability;
- Consideration of system leadership options;
- Enhancing the functioning of local audit, and the governance for responding to its findings;
- Improving transparency of local authorities' accounts to the public; and
- Action to further consider the functioning of local audit for smaller bodies

1.4 Responses to the review recommendations of particular interest to the council, were:

- **Recommendation:** A new regulatory body, “Office of Local Audit & Regulation (OLAR)” to manage and oversee local audit,
 - **Response:** MHCLG are considering these recommendations further and will make a full response by spring 2021.
- **Recommendation:** 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;
 - **Response:** MHCLG will work with the LGA (Local Government Association), NAO (National Audit Office) and CIPFA (Chartered Institute of Public Finance and Accountancy) to deliver this recommendation.
- **Recommendation:** 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;
 - **Response:** MHCLG will look to revise regulations to enable PSAA (Public Sector Audit Appointments) to set fees that better reflect the cost to audit firms of undertaking additional work.
- **Recommendation:** Revised deadlines for certifying audited accounts from 31 July to 30 Sept – reverting back to timescales from about 6-7years ago;
 - **Response:** Subject to consultation in the new year, MHCLG intends to amend regulations to extend the deadline for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years). At the end of this period we will review whether there is a continued need to have an extended deadline.
- **Recommendation:** A new disclosure in the accounts with standardise service and cost reporting against budget. Both the Segmental Reporting and the

Expenditure and Funding Analysis statement were meant to improve the “understandability” of the accounts to the layperson;

- **Response:** MHCLG will look to CIPFA, NAO and LGA to develop a product through consultation with local government.

➤ **Recommendation:** 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.

- **Response:** MHCLG will work with the LGA, NAO and CIPFA and other key stakeholders to deliver this recommendation, including whether changes to statute are required.

1.5 To support the implementation of the recommendations, MHCLG will provide relevant local authorities with £15 million in additional funding in 2021/22. This is intended to support affected local bodies to meet the anticipated rise in audit fees in 2021/22, driven by new requirements on auditors including the 2020 Code of Audit Practice, and to enable local authorities to develop standardised statements of service information and costs, as recommended by Sir Tony. MHCLG have advised that it will confirm allocations in the new year.

1.6 The full report and the government’s response 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 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 reconfirm 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 required that the accounts are published no later than 30 November 2020. However, the audit was not concluded on time due to delay with the completion of the audit work and the final accounts were published on 27 January 2021.

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 19 October 2020	Item 10: External Auditor's Audit Completion Report for the year 2019/20	https://barnet.moderngov.co.uk/documents/s60619/External%20Auditors%20Audit%20Completion%20Report%20for%20the%20year%20201920.pdf
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: MHCLG Response	Local authority financial reporting and external audit: government response to the independent review - GOV.UK (www.gov.uk)
n/a	The Redmond Review	https://www.gov.uk/government/news/results-of-independent-review-into-quality-of-council-audits-published