



Audit Committee

28 April 2021

Title	Annual Audit Letter 2019/20
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Annual Audit Letter 2019/20
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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 2019/20, which is attached to this report at Appendix A. The following points are drawn to the attention of the Committee:

An unmodified (formerly known as unqualified) opinion on the Statement of Accounts for 2019/20 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 2020 and its income and expenditure for the 2018/19 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 Group's financial statements and pension fund's financial statements on 28th January 2021.

The Accounts and Audit Regulations 2015 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 council's main website on 28th January 2021.

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 to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The auditors concluded that they were satisfied that the Council has a good understanding of the budget requirement in the coming years, has arrangements in place to identify and manage the delivery of required savings.

The auditors cannot formally conclude the audit and issue an audit certificate until they have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. However, they are satisfied that this work does not have a material effect on the Council and group financial statements or on our use of resources conclusion.

The PSAA (Public Sector Audit Appointments) initial scale fee for the Council audit in 2019/20 was £130,919 and was increased by £40,000 (£37,822 in 2018/19) to £170,919 (£168,741 in 2018/19) in the Audit Plan to reflect increased risks and audit issues in recent years. Further audit costs were incurred due to issues on property valuations and the impact of Covid resulting in additional fees of £80,000. The final audit fee for the council's accounts was £250,919 which is £120,000 above the PSAA initial scale fee. This fee variation is currently subject to PSAA review and approval.

The planned fee for certification of the government grants was £19,000 (2018/19: £21,500). This covers the housing benefit subsidy assurance review which was undertaken by KPMG LLP in 2019/20 so there was no fee for the certification of the government grants in 2019/20 paid to BDO LLP. £23,950 was paid to KPMG LLP for this work.

The PSAA initial scale fee for the pension fund audit in 2019/20 was £16,170 and was increased to £36,170 (£34,478 in 2018/19) in the Audit Plan to reflect increased risks, audit issues in recent years and testing of the triennial data submission. This fee variation is currently subject to PSAA review and approval.

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 which was the same as 2018/19.

Officers Recommendations

1. That the external auditor's Annual Audit Letter for 2019/20 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 Not applicable

4. POST DECISION IMPLEMENTATION

- 4.1 Not applicable

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 & 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 planned audit fee for 2019/20 for the Council and Group Financial Statements was £130,919 which was the same as 2018/19 plus a fee variation request of £40,000 (£37,822 for 2018/19). The planned fee for certification of the government grants was £19,000 (2018/19: £21,500). The auditors had to undertake additional audit work in 2019/20 on the Council's and the pension fund's financial statements and the final audit fee is £287,089 (£207,089 in 2018/19). This fee variation is subject to PSAA review and approval.

5.3 **Social Value**

5.3.1 None in the context of this report.

5.4 **Legal and Constitutional References**

5.4.1 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.

5.4.2 The Council's Constitution, Responsibility for Functions - the functions of the Audit Committee are detailed 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".

5.4.3 Article 16 of the Council's Constitution also requires Audit Committee to consider the Annual Audit Letter which includes the external auditor's report and opinion on the audit of the accounts, as well as comments and recommendations on whether the Council provides Value for Money.

5.5 **Risk Management**

5.5.1 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.

5.5.2 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.

5.6 **Equalities and Diversity**

5.6.1 None in the context of this report.

5.7 **Corporate Parenting**

5.7.1 None in the context of this report.

5.8 **Consultation and Engagement**

5.8.1 None in the context of this report.

5.8 **Insight**

5.8.1 None in the context of this report.

6 BACKGROUND PAPERS

6.1 None