



Audit Committee

14th February 2022

Title	External Auditor's Report for the year 2020/21
Report of	Executive Director of Resources (S151 Officer)
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Draft Audit Completion Report 2020/21 (to follow)
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Summary

The external audit of the Council's Statement of Account is undertaken by BDO. Appendix A provides the findings of BDO to date.

BDO were presented with the draft financial statements (including the Pension Fund accounts) on 30th July 2021 and the draft accounts were published by the end of July 2021 in line with the Accounts and Audit Regulations 2015.

The 2015 Regulations require that the final approved accounts are published no later than 30th September of the financial year immediately following the end of the financial year to which the statement relates.

BDO advised Audit Committee in July 2021 that they were not able to commence the audit until September, it was therefore not possible for them to conclude their audit in line with the statutory deadline.

BDO presented a draft completion report to Committee in December 2021 and this report

provides a further update on the findings and recommendations following further progress on the audit.

The audit is yet to be completed but BDO anticipate providing an unmodified opinion on the Council's financial statements subject to the clearance of the outstanding matters detailed in Appendix A.

The final Statement of Accounts, including the Pension Fund accounts, will be published on the council's website once BDO have provided their Audit Opinion for inclusion in the Statement of Accounts.

Committee is also asked to note the measures that the government is taking to help tackle audit delays. Some of the key measures are set out in 1.2-1.3.

Committee is also asked to note details of a Department for Levelling Up, Housing and Communities (DLUHC) consultation on Changes to the capital framework, specifically in relation to Minimum Revenue Provision as set out in 1.4-1.10.

Officers Recommendations

- 1. That the Committee approve, subject to there being no material amendments, the Statement of Accounts for 2020/21 and recommend that they be signed by the Chairman and the Executive Director of Resources (Statutory 151 Officer) on behalf of the Council.**
- 2. That the Committee delegates to the Executive Director of Resources (Statutory 151 officer) the ability to make necessary amendments to the statement of accounts, in so far as there is no material impact on the General Fund, based on any subsequent findings of the External Auditor.**
- 3. That the matters raised by the external auditor relating to detailed aspects of the 2020/21 accounts audit be noted.**
- 4. That the Committee note the measures that the government is taking to help tackle audit delays and the impact on audit deadlines.**
- 5. That the Committee note the details of the Department for Levelling Up, Housing and Communities (DLUHC) consultation on changes in relation to Minimum Revenue Provision (MRP).**

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 22 November 2021, DLUHC wrote to S151 Officers noting the government's concerns at the increasing delays to the completion of local audits. Further to that, DLUHC wrote to S151 Officers on 18 January 2022 to provide an update on action the government is taking to help tackle these delays. The full package of measures can be found the background papers to this report and the key measures are shown below:
- providing councils with £45m additional funding over the course of the next Spending Review period to support with the costs of strengthening their financial reporting and increased auditing requirements;
 - strengthening training and qualifications options for local auditors and audit committee members;
 - reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, where these are of lesser risk to councils; and
 - extending the 2021/22 audit deadline to 30 November 2022, and then 30 September until 2027/28.
- 1.3 The extension of the audit deadline for 2021/22 to 30 November 2022 will be reflected in BDO's Audit Planning Report for 2021/22 which is expected to be presented to this Committee in April 2022.
- 1.4 On 30 November 2021, the Department for Levelling Up, Housing and Communities (DLUHC) launched a consultation on Changes to the capital framework, specifically in relation to Minimum Revenue Provision (MRP).
- 1.5 MRP is a charge that local Authorities are required by statute to make to the General Fund to provide for the repayment of debt resulting from capital expenditure. The council is required to determine a level of MRP it considers to be prudent, whilst having regard to the MRP guidance issued by the government. Details on the guidance are included in the background papers to this report.
- 1.6 The key principle of the Guidance is that an authority's debt liability should be repaid over a period, which corresponds to the useful life of the asset(s), that the capital expenditure provided benefit to.
- 1.7 The government is proposing to make changes to the legislation (Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (the 2003 Regulations).
- 1.8 The 2 issues that the changes are intended to address are:
- i. Use of capital receipts in place of a MRP charge. Authorities may use capital receipts to reduce overall debt and thereby reduce MRP through the calculation. Capital receipts may not, however, be used in lieu of a prudent charge to revenue.
 - ii. Not charging MRP on debt related to certain assets, i.e. some authorities are still not charging MRP in relation to borrowing associated with investment assets or capital loans. The statutory guidance states that financing for investment assets and capital loans requires provision to be made.
- 1.9 Neither of the changes impact on the council as:
- i. the council doesn't use capital receipts in place of an MRP charge;

- ii. MRP is provided on all capital expenditure funded by borrowing in the capital programme including loans to Open Door Homes and the borrowing for the Brent Cross Retail Park.

1.10 The consultation questions and the council's responses are given below for information:

- Q1. Do you agree with the government's proposal to amend the 2003 Regulations to prevent the omission of debt from the MRP calculation? *Yes*
- Q2. Does the draft statutory instrument achieve the government's objectives as outlined in this document? Are there any unintended consequences arising from the statutory instrument? *Yes; No*
- Q3. Is it clear from the wording of the statutory instrument, as drafted, that authorities may still postpone the MRP charge as per paragraphs 40 and 41 of the MRP guidance? *Yes*
- Q4. Are these changes consistent with the current MRP guidance? If not, what is unclear or inconsistent in the guidance? *Yes*

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 – which sets out four priorities for the council as below:

- Clean, safe and well run – a place where our streets are clean and anti-social behaviour is dealt with so residents feel safe. Providing good quality, customer friendly services in all that we do.
- Family friendly – creating a Family Friendly Barnet, enabling opportunities for our children and young people to achieve their best.
- Healthy – a place with fantastic facilities for all ages, enabling people to live happy and healthy lives.
- Thriving – a place fit for future, where all residents, businesses and visitors benefit from improved sustainable infrastructure & opportunity.

- 5.1.2 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 2021.
- 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, regulation 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 final approved accounts are published not later than 30th September of the financial year immediately following the end of the financial year to which the statement relates. The audit did not commence until September 2021 and it was therefore not possible for it to be concluded in line with the statutory deadline.
- 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 in the background papers to this report.
- 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

5.9 Insight

5.9.1 None in the context of this decision

6. ENVIRONMENTAL IMPACT

6.1 None in the context of this report.

7. BACKGROUND PAPERS

Committee	Item & Agenda	Link
n/a	Measures to improve local audit delays	Measures to improve local audit delays - GOV.UK (www.gov.uk)
n/a	MRP Guidance issued by government	Statutory guidance on minimum revenue provision.pdf (publishing.service.gov.uk)
n/a	International Standard on Auditing (UK) 260 (Revised June 2016)	Microsoft Word - ISA (UK) 260 Revised June 2016 final (frc.org.uk)
Audit Committee 15 December 2021	Item 7: External Auditor's report on progress of the audit of the council's 2020/21 accounts	Agenda for Audit Committee on Wednesday 15th December, 2021, 7.00 pm (moderngov.co.uk)
Audit Committee 14 July 2021	Item 13: Committee Forward Work Programme.	Agenda for Audit Committee on Wednesday 14th July, 2021, 7.00 pm (moderngov.co.uk)

Audit Committee 28 April 2021	Item 11: External Audit Plan 2020/21	https://barnet.moderngov.co.uk/documents/s64729/External Audit Plan 202021.pdf
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