



Audit Committee

16th January 2023

Title	Update on the 2020/21 Closure of accounts and the 2021/22 External Audit Plan
Report of	Executive Director of Strategy and Resources
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – update from BDO (to follow)
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Summary

2020/21 Closure of accounts

The external audit of the Council's Statement of Account is undertaken by BDO.

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 again in February

2022.

Audit Committee in February 2022:

- approved, subject to there being no material amendments, the Statement of Accounts for 2020/21 and recommended that they be signed by the Chairman and the Executive Director of Resources (Statutory 151 Officer) on behalf of the Council.
- delegated 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.

No material impacts have been found since the last update provided to Committee and this report provides an update on the factors that are delaying the sign off of the council's 2020/21 Accounts.

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.

2021/22 External Audit Plan

BDO LLP (the council's appointed external auditors) are required to produce an audit planning report to highlight the key elements of BDO's 2021/22 external audit strategy for the Council.

BDO's audit plan for 2021/22 is not yet available as BDO have advised that they are not able to produce it until the council's 2020/21 accounts are signed off.

Once it is produced, it will form a key part of the Council's communication strategy with our external auditor BDO LLP, a strategy which is designed to promote effective two-way communication throughout the audit process with those charged with governance.

It will summarise the planned audit strategy for the year ending 31 March 2022 in respect of BDO's audit of the financial statements of the Council and consolidated entities (together the 'Group') and use of resources; comprising materiality, key audit risks and the planned approach to these, together with timetable and the BDO team.

The planned audit strategy (and proposed fee) will be discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

Officers Recommendations

- 1. That the Committee notes the factors that are delaying the sign off of the council's 2020/21 Statement of Accounts; and**
- 2. That the Committee notes the delay to the production of BDO's audit plan for 2021/22.**

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 There is an issue relating to the reporting of infrastructure assets which has led to delays in local authority audits, principally for highways authorities. Further details and a description of the issue can be found in the appendix and background papers to this report.
- 1.3 CIPFA LASAAC (Local Authority (Scotland) Accounts Advisory Committee) and CIPFA's Accounting and Financial Reporting Forum established a Task and Finish Group to assist with the resolution of this issue and have issued an update to the Code of practice on local authority accounting.
- 1.4 The Code now includes a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. This temporary relief is applied from the 2021/22 Code up to and including the 2024/25 Code but may also apply to local authority financial statements before this period where the auditor's opinion on those statements has not been given.
- 1.5 The update to the Code requests that local authorities maintain information on gross cost and accumulated depreciation in a memorandum format even though disclosure is not required. This information may be required to be used in the longer-term solution for infrastructure assets and therefore as much as possible local authorities should maintain this memorandum information.
- 1.6 CIPFA have also advised that they will issue a Bulletin to provide guidance to councils on this update, but it is anticipated that this will be published in early January.
- 1.7 The Temporary Relief for reporting infrastructure assets gross cost and accumulated depreciation will apply until the end of the 2024/25 financial reporting year and will be incorporated in both the 2023/24 and 2024/25 Codes. It is anticipated that the longer-term solution for the reporting of infrastructure assets will be implemented from 1 April 2025.
- 1.8 BDO's audit plan for 2021/22 is not yet available as BDO have advised that they are not able to produce it until the council's 2020/21 accounts are signed off.

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 BDO will issue the 2021/22 Audit Planning report once the council's 2020/21 accounts have been signed off and will present the plan formally to Audit Committee in November 2022.

4.2 BDO's audit plan for 2021/22 will dictate what is reported to the Audit Committee as part of the audit process.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The current corporate plan (Barnet Plan 2021-2025) was adopted in March 2021. Following the May 2022 elections, the council now has a new administration and a new corporate plan, consistent with the new administration's priorities will be brought forward shortly.

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.

5.1.3 The audit plan for 2021/22 will assess fundamental aspects of financial standing and performance management in Barnet that relate to the key theme of 'value for money' relating to the Council's corporate priorities.

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 however, delays to the completion of audits does create a risk in that any issues identified cannot be addressed and resolved in a timely manner.

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
Audit Committee 2 November 2022	Item 7: Update on the audit of the 2020/21 Statement of Accounts	Agenda for Audit Committee on Wednesday 2nd November, 2022, 7.00 pm (moderngov.co.uk)
Audit Committee 15 September 2022	Item 8: Update on the closure of the 2020/21 Statement of Accounts	Agenda for Audit Committee on Thursday 15th September, 2022, 7.00 pm (moderngov.co.uk)
Audit Committee 16 June 2022	Item 9: Update on the closure of the 2020/21 Statement of Accounts	Agenda for Audit Committee on Thursday 16th June, 2022, 7.00 pm Barnet Council (moderngov.co.uk)
n/a	CIPFA description on the infrastructure assets issue for local authority stakeholders.	Urgent Infrastructure Assets Task and Finish Group CIPFA
Audit Committee 14 February 2022	Item 7: External Auditor's report 2020-21	Agenda for Audit Committee on Monday 14th February, 2022, 7.00 pm Barnet Council (moderngov.co.uk)
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