



## Governance, Audit, Risk Management and Standards (GARMS) Committee

<b>Title</b>	Status of the 2020/21 audit and plans for 2021/22 and 2022/23 audit delivery
<b>Date of meeting</b>	16 October 2023
<b>Report of</b>	Executive Director of Strategy and Resources
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Appendices</b>	Appendix: Report from Grant Thornton on: LB Barnet Audit Progress Report and Sector Update
<b>Officer Contact Details</b>	<p>Anisa Darr – Executive Director of Strategy and Resources  <a href="mailto:Anisa.Darr@Barnet.gov.uk">Anisa.Darr@Barnet.gov.uk</a>            020 8359 7634</p> <p>Jyotika Dabasia – Assistant Director Finance  <a href="mailto:Jyotika.Dabasia@Barnet.gov.uk">Jyotika.Dabasia@Barnet.gov.uk</a>            020 8359 4673</p>

### Summary

#### **2020/21 External Audit**

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 30<sup>th</sup> 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 30<sup>th</sup> September of the financial year immediately following the end of the financial year to which the statement relates.

#### **2021/22 and 2022/23 External Audit**

BDO LLP (the council's appointed external auditors) are required to produce an audit planning report to highlight the key elements of their external audit strategy for the Council for the years 2021/22 and 2022/23.

The council's draft accounts for 2021/22 were published by the end of July 2022 and draft accounts for 2022/23 were published by the end of May 2023 in line with the Accounts and Audit Regulations 2015 and The Accounts and Audit (Amendment) Regulations 2022.

BDO will give a verbal update on DLUHC's proposed backstop solutions for completing 2021/22 and 2022/23 audits.

BDO has advised that a whistle blower complaint has been brought to their attention. At this stage they are not sure whether or not this will impact on the ongoing 2021 audit.

## Recommendations

- 1. That the Committee notes the progress towards the sign off of the Council's 2020/21 Statement of Accounts.**
- 2. That the Committee notes BDO's verbal update on DHLUC's (Department for Levelling Up Housing & Communities) proposed backstop solutions for completing 2021/22 and 2022/23 audits.**

### 1. Reasons for the Recommendations

- 1.1 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.
- 1.2 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.
- 1.3 For 2020/21 audit, no material impacts have been found since the last update provided to Committee 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.
- 1.4 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.

1.5 In July 2023, DHLUC issued a statement outlining proposals to address the significant backlog in local authority audits in England. BDO will give a verbal update to committee on these proposals. A link to the statement is included in section 9.1 in the background papers to this report.

## **2. Alternative Options Considered and Not Recommended**

2.1 None in the context of this report.

## **3. Post Decision Implementation**

3.1 None in the context of this report.

## **4. Corporate Priorities, Performance and Other Considerations**

### **Corporate Plan**

4.1 This supports the council's corporate priorities as expressed through Our Plan for Barnet which sets out our vision and strategy for the borough. This includes the outcomes we want to achieve for the borough, the priorities we will focus limited resources on and, our approach for how we will deliver this.

4.2 The Annual Statement of Accounts are the primary means by which the Council is held to account for the stewardship of its resources.

4.3 The audits for 2021/22, 2021/22 and 2022/23 will assess fundamental aspects of financial standing and performance management in Barnet that relate to underlying principal of being financially responsible now and into the future.

### **Corporate Performance / Outcome Measures**

4.4 None in the context of this report.

### **Sustainability**

4.5 None in the context of this report.

### **Corporate Parenting**

4.6 None in the context of this report.

### **Risk Management**

4.7 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.

4.8 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.

### **Insight**

4.9 None in the context of this report.

### **Social Value**

4.10 None in the context of this report.

## **5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)**

5.1 The Statement of Accounts shows the financial position of the council as at 31 March 2021.

## **6. Legal Implications and Constitution References**

6.1 Section 151 of the Local Government Act 1972 requires that “...every local authority shall make arrangements for the proper administration of their financial affairs”.

6.2 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.

6.3 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.

6.4 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.

6.5 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.

6.6 Under the Council’s Constitution, Part 2B, Terms of Reference and Delegation of Duties to Committees and Sub-Committees, section 2 sets out the terms of reference of the Governance, Audit, Risk Management and Standards Committee which includes in section 2.4.13 which includes “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”.

## **7. Consultation**

7.1 None in the context of this report.

## **8. Equalities and Diversity**

8.1 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.

## **9. Background Papers**

9.1 DHLUC Statement: [Local Audit Delays – Cross-System Statement On Proposals To Clear The Backlog And Embed Timely Audits](#)

9.2 [committees.parliament.uk/publications/40932/documents/199432/default/](https://committees.parliament.uk/publications/40932/documents/199432/default/)

- 9.3 Governance, Audit, Risk Management and Standards Committee – July 2023: Item 8 [Agenda for Governance, Audit, Risk Management and Standards Committee \(GARMS\) on Monday 24th July, 2023, 7.00 pm \(moderngov.co.uk\)](#)
- 9.4 Audit Committee – April 2023: Item 7 [Agenda for Audit Committee on Wednesday 26th April, 2023, 7.00 pm \(moderngov.co.uk\)](#)
- 9.5 Audit Committee – January 2023: Item 7 [Agenda for Audit Committee on Monday 16th January, 2023, 7.00 pm \(moderngov.co.uk\)](#)