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## **GENERAL PURPOSES COMMITTEE**

**Wednesday, 27th March, 2024 at 7.00 pm in the Conference Room,  
Civic Centre, Silver Street, Enfield, EN1 3XA**

### **Membership:**

co :Thomas Fawns (Chair), Ayten Guzel (Vice-Chair), Nawshad Ali,  
Alessandro Georgiou, Nelly Gyosheva, Joanne Laban, Elisa Morreale,  
Sabri Ozaydin, Michael Rye OBE and Peter Nwosu

### **AGENDA – PART 1**

#### **4. BDO PROGRESS REPORT ON EXTERNAL AUDIT OF ACCOUNTS (Pages 1 - 4)**

A verbal update will be provided.

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## Update on 2019/20 audit

The purpose of this note is to update the General Purposes Committee on the progress in finalising the 2019/20 audit.

### 2019/20

As reported to this Committee on 31 January 2024, work on finalising the 2019/20 audits of the main Council's accounts and of the Pension Fund has resumed.

Our intention set out at that time was to finalise the remaining issues to conclude the audit in April 2024. We remain on track to achieve this, with fieldwork and the review process expected to be concluded in April, with reporting and signing expected shortly afterwards to align with a subsequent General Purposes Committee date.

We reported a number of specific issues in our previous update which are summarised below.

### Finalisation of fieldwork and quality review over Property, Plant and Equipment

#### Infrastructure assets

We have assessed whether the Council's infrastructure assets are accounted for appropriately in accordance with the Statutory Instrument, and the update to the Code (accompanied by CIPFA bulletin 12) issued in 2022. This has included a specific review of the appropriateness of useful economic lives applied to infrastructure asset components and the Council's disclosures.

While this work is substantively complete, the findings from this work are currently being reconciled to previous findings relating to the fixed asset migration, which while predating the Statutory Instrument has a direct bearing both on the useful economic lives applied and the underlying integrity of the fixed asset register, including infrastructure assets.

#### Schools / Garages, including anticipated prior period adjustments

Our fieldwork is complete and we have presented our preliminary assessment of adjustments required to management, and are finalising this position based on follow up information received from management and the external valuer. This includes a potential adjustment to other land and buildings (leisure centres).

#### HRA assets

Our fieldwork is complete. Completion of this work has identified a further error in the application of beacons as at 31/03/2019. Management are assessing whether an adjustment needs to be made, but the matter is not material in isolation.

### Additional fieldwork reflecting methodology and regulatory changes

There are a number of areas where methodology and regulatory expectations have increased since the time the work was originally completed, resulting in further audit procedures. We have reassessed our testing in these areas and provided the Council with additional requests for information. We are continuing to work through these as they are provided.

#### Payroll expenditure

An extended sample was selected. Subject to the successful resolution of follow up queries in relation to contractual pay rates, this work is complete.

#### Journal postings

To meet increased testing expectations around the interaction of Information Technology General Controls (ITGCs) and the underlying reliability of manual journal listings, we requested an additional sample of journals. We have received responses to all of these items and are reviewing the information provided.

There are no further matters to bring to your attention at this time.



### Housing benefit expenditure

An extended sample was selected for housing benefit cases where expenditure was incurred in the year. There are cases where the Council has not yet been able to provide evidence supporting rental amounts for the 2019/20 year. This partly reflects migrations between document retention systems and impacts around two thirds of the items in our extended sample. The Council are seeking alternative ways of sourcing the evidence.

### Bank payments cut-off

An extended sample was selected for bank payments expenditure and income testing. Subject to the successful resolution of a number of follow up queries in progress, our work in this area is complete.

### **Other**

#### Software as a Service

The Council have reviewed their intangible assets register against the expectations of the April 2021 IFRIC decision in respect of accounting for software as a service (SaaS). This has identified assets with a net book value of £3.1m (£9.6m gross) which the Council has assessed as no longer meeting the definition of capital. While the IFRIC decision applies both prospectively and retrospectively, the Council have not identified the need for a prior period adjustment as the impact is not material.

BDO have reviewed the assumptions behind this exercise and have sought further assurance on the completeness of the information used to arrive at this conclusion. As part of this, four larger value items with a combined net book value of £16.5m (£26.8m gross), which the Council did not assess as comprising SaaS, have been queried. The Council have identified that limited information exists supporting the granular breakdown of these assets, which precludes the Council being able to make an accurate evaluation around SaaS. We are assessing the impact of this on our conclusions.

#### Reinforced autoclaved aerated concrete

We have received management's assessment. This has identified one school where RAAC is present.

We are evaluating the completeness of the Council's RAAC identification process and the potential valuation impact of any RAAC findings identified.

#### Covid-19

Review of the financial reporting impact of Covid-19 forms part of our assessment in a number of areas and we will stand back at the end of the audit and review the audit evidence obtained to ensure appropriate consideration and disclosure of the impacts of Covid-19 in the financial statements.

### **Matters arising**

While the majority of audit team effort has been focused on the matters identified above, there are a number of other areas arising from the above, or which were otherwise not specifically itemised in the previous memo, where work is in progress.

#### Minimum revenue provision

In the context of adjustments and changes to useful economic lives noted above, the Council are re-examining their MRP workings. However, completion of this is contingent on the agreement of a final position on property, plant and equipment adjustments.

#### ITGCs

On the basis of ITGC failures over the Council's ledger, as reported above further testing was necessary in relation to the integrity of journal ledger data. We are currently analysing with our



specialist IT auditor whether other ITGC failures, coupled with updates to methodology since the work was initially performed, require additional query or testing.

#### Pension Fund

The EQR review for this has taken place. In response to this, we have raised further queries in respect of fund control reports and valuations.

This reflects the fact that, as at the time the accounts are prepared and the audit takes place, the information available is not always coterminous with the year end date (31/03/2020). This primarily impacts

- *Control reports*  
As control reports generally cover a twelve-month period, but this is not always the same period as that of the Council's accounts, auditors normally receive 'bridging letters' from fund managers to cover this gap. As the subsequent control reports should now have been completed, we will need to obtain copies of these and update our assessment accordingly.
- *Financial information*  
Where the Council holds private equity and infrastructure investments, the valuation of these is often determined at a date that is not coterminous with the Council's own year end, meaning estimation needs to be made over potential changes in fair value between these dates. The availability of more up-to-date financial information will be used to assess the accuracy of the 31/03/2020 reported position.

There are no other significant points for follow up.

#### Meridian Water - accounting treatment

While our fieldwork in relation to this asset is complete, we have received a challenge from our financial reporting reviewer in relation to the accounting treatment as a surplus asset and associated financial reporting disclosures.

#### Internal quality review

Our internal quality and EQR review remains in progress.

#### Next steps

- Remaining partner, and external quality review and clearance
- Financial reporting reviewer clearance
- Collation and processing of expected accounts changes (on completion of testing above)
- Final audit completion report

#### **Use of Resources**

Our work and reporting on value-for-money (VfM) arrangements for 2019/20 is performed under the National Audit Office's Code of Audit Practice, 2015. We anticipate completing our work for 2019/20 alongside the completion of the 2019/20 accounts audit.



## Outstanding audits

On 8 February 2024, a consultation was launched as part of a cross-system effort to address the backlog in local government audits across the sector.

In summary

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

More details can be seen on the link below.

<https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/local-audit-delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit>

The initial consultation window has now closed. We will update the Committee in due course when more information is available in respect of timings and implications on the outstanding audits. However, it remains unlikely that any legislative changes will be effected before the end of June 2024.

**Ciaran McLaughlin**, Partner and Engagement Lead  
For and on behalf of **BDO LLP**, Appointed Auditor

20 March 2024